United States Court of Appeals
for the Second Circuit

APPENDIX

76-7565

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United States Court of Appeals

FOR THE SECOND CIRCUIT

UNITED STATES COURT OF APPEALS
FILED
FEB 7 1977
A. DANIEL FUSARO, CLERK
SECOND CIRCUIT

PITTSBURGH COKE & CHEMICAL COMPANY,
Plaintiff-Appellant,

—against—

LOUIS J. BOLLO,
Defendant-Appellee.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NEW YORK

JOINT APPENDIX

(Volume 2—pages 529 to 890)

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PAGINATION AS IN ORIGINAL COPY

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529-680

WILMINGTON SECURITIES INC.
RE:PITTSBURGH v BOLLO

10/18/74

[transcript pages 448- 594]

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF NEW YORK

--------------------------------x

PITTSBURGH COKE & CHEMICAL CO.- :

Plaintiff, :

71-C-305

-against- :

LOUIS J. BOLLO, :

Defendant. :

--------------------------------x

United States Courthouse
Brooklyn, New York

October 18, 1974
10:00 o'clock A.M.

Before:

HONORABLE EDWARD R. NEAHER, U.S.D.J.

GENE RUDOLPH
OFFICIAL COURT REPORTER

Appearances:

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345 Park Avenue
New York, New York

BY: ALLAN BLUMSTEIN, ESQ.
ANTHONY M. RADICE, ESQ.

GR:tr
T1/R1

(Time: 10:40 a.m.)

MR. BLUMSTEIN: May I proceed, your Honor?

THE COURT: You may.

MR. BLUMSTEIN: Thank you.

LOUIS J. BOLLO, having been first duly sworn by the Clerk of the Court, was examined and testified as follows:

DIRECT EXAMINATION BY
MR. BLUMSTEIN:

Q Mr. Bollo, you are the defendant in this action?

A Yes, I am.

Q How old are you, sir?

A 67.

Q There have been references to a number of other Bollos in this record so far and I'd like to try and get that straight on the record.

A Surely.

Q Jerome Bollo, of course, is your brother?

A My brother.

Q And we know about his connection with Standard. Do you have any other brothers or sisters?

A Yes, I do. I have another brother, Victor Bollo.

Q Has he ever had any connection with Standard?

A Yes, he did; some 37 years ago.

Q Okay. Now, we've heard about a Mr. Peter Bollo. Who is he?

A Peter Bollo is my son.

Q What was his connection with Standard?

A He was the vice president of Standix, which was a division or subsidiary of Standard Aircraft.

Q During what period of time?

A From approximately 1964, in that area, until 1971.

Q Paul Bollo?

A Paul Bollo is another son of mine.

Q Did he have any connection with Standard?

A Yes, he did. He was connected with our internal sales department at Garden City.

Q When was that?

A From the time he got out of the Airforce, which I believe would be probably about 1960, through 1967.

Q Do you have any other children?

A Do I have any other children? Yes, I do.

Q Who are they?

A I have two daughters.

Q Yes?

A We named the two sons. I have a third son who wasn't mentioned.

Q Okay.

A Robert Bollo.

Q Right.

Can you tell me what line of endeavor you are presently engaged in, Mr. Bollo?

A I have a small real estate holding corporation, which is -- which I operate.

Q Is that a full time business?

A No, it isn't. It takes approximately one half per hour day on the average.

Q What do you do with the rest of the day?

A I'm retired.

Q I see.

How long have you been retired?

A Since October of 1970.

Q Up until that time you've been connected with Standard Aircraft?

A Yes.

Q Can you tell us the circumstances by which you became retired in October of 1970?

A In October of 1970, the chairman of Standard Aircraft, Mr. Putnam McDowell, asked me to resign and gave as his reason that they had located a younger man who they thought would do a better job for them.

Q He made that request of you to resign?

A He made that request of me, yes, to resign.

Q Did you accede to that request?

A Yes, I did.

Q At that time was your employment with Standard pursuant to a written employment agreement?

A Yes, I was under contract at that time.

Q Had the term of that contract yet expired?

A No, it had not.

Q After you retired, did you continue to receive salary payments under that contract from Standard?

A Yes, I did.

Q Until when, sir?

A Until March of 1971.

Q In connection with this discussion that you had with Mr. McDowell concerning your resignation, do you recall him saying anything else?

A Yes, he said that he, or Standard rather, would honor my management contract.

Q Was there any discussion of the 19-- December, 1968 contract pursuant to which Standard -- pursuant to which First Grant Corporation had acquired an interest in Standard?

A At that time? At that meeting?

Q Yes.

A No, there was none.

Q Could you tell us something about your education?

A Yes. I have formal education of three years in high school.

Then I have a few non-matriculating courses, college courses, three to be exact. One is business management. The second was speech and the third was real estate law.

In addition to that, I have had five technical courses, primarily with the Bendix organization. I can name those, if you would care to hear them.

As a matter of fact, I think it would be a good idea if I did.

Q All right.

A I took the instrument technicians course at Pioneer Instrument Company, which later became Eclipse Pioneer and I was -- that was known as navigation and control.

I took a starter course, aircraft starter course at Eclipse Machine Company which became part of

Eclipse Machine Division, and later the navigation & control.

I took a fuel metering course at Bendix Products, South Bend, which later became -- and may I check that? I have a list here of the changes in name, but the Bendix Products was energy controls division.

Q Finish your answer, please.

A That's three. I took a generator course, an electrical course at Eclipse Pioneer, which in a spin-off became Redbank and -- Redbank Division and then later on the Electric Power Division.

And the last one was a Magneto, an electrical course in Scientilla Magneto Division, which later became Electric Components Division of Bendix.

This gave me a pretty good working knowledge of the business that Standard was in.

Two more things that I indulged in, and that was a mechanics, aircraft mechanics course at Curtis Wright and a pilot's course at Curtis Wright, both of which led to a license by the Federal Government.

Q During the course of your last answer you made reference to a card that you have got in front of you?

A This is --

Q I think, so the record is complete, we should mark this for identification.

A Okay.

THE CLERK: Yes sir.

MR. BLUMSTEIN: Let me show it to plaintiff's counsel so they know what it is.

MR. CLERK: Card marked for identification as Defendant's Exhibit S.

(So marked.)

THE CLERK: In order not to deface the document, I just placed a piece of paper and attached my sticker to it with a clip.

MR. WILLIAMS: Thank you.

Q You said, I think, that you had three years of high school. I take it you never got a high school diploma?

A No, I did not.

Q You would be, in today's parlance, a high school drop out?

A That would be correct, yes.

Q Without getting into any detail, were the reasons why you left high school economic?

A Partly, yes.

Q Would you tell us what happened by way of employment after you left high school?

A Yes. I went to work for a small automobile agency in Westchester County.

I worked there for approximately a year, a little bit more, around the office portion of it, which gave me a pretty good small business experience.

Q What happened after that?

A From there I went to Curtis Flying Service, to take this mechanics course and the pilot's course, and on completion of that, worked for a very short time as a mechanics instructor for Curtis Flying Service.

From there I went to work for Captain Joseph Patterson, the owner and publisher of the New York Daily News at that time, maintenance of his airplanes and the airplanes of his daughter, Elisa Patterson, who became the owner and Publisher of Newsday, a Long Island paper.

After that I went to work for Pioneer Instrument Company at their New York Service Station, which was located at Roosevelt Field.

It was one of three service stations that they had at that time in the United States.

After a period of time, I became the manager of that service station.

In the years 1929, '30, '31, in there someplace, we had the depression and Pioneer Instrument Company elected at that time to close all three stations.

They closed Wichita first, Chicago second, thirdly New York or Roosevelt Field. They offered me a job in the plant which was then located in Brooklyn. I refused that and countered with an offer to buy the service station, which they accepted and which started Standard Aircraft Equipment Company on March 1, 1933.

I continued that company in the -- and of course incorporated it in 1947 and was attached to it until 1970.

(Cont'd on next page.)

GR/tr
T1/R2

Q Do you happen to recall how much you may have paid to acquire this branch of Pioneer Instrument Company?

A Not exactly. That's so long ago. I think it was in the neighborhood of about 225 or 250 dollars a month, payable for a period of five years, or roughly about a ten thousand dollar purchase price.

Q Payable over that period of time?

A Five years.

Q Payable over that period of time?

A I didn't hear you.

Q Payable over a five year period of time?

A Five year period of time, yes.

Q So that was the beginning of the Standard business?

A I purchased the -- in that transaction, the tooling, the test equipment, the inventory and the lease.

Q All right. You say that until 1947 you operated the business as a sole owner in your -- a sole proprietorship?

A No, that's not quite true. I operated it as a sole proprietorship, doing business as Standard Aircraft, until 1945, at which time I took in a partner, who had 10 per cent of the stock. I had 90. He had 10.

That continued until 1947, at which time we went public, on a Regulation A, whatever you call it.

Q You are jumping ahead. Let's go back to the 1933 period.

A Surely.

Q I'd like you, if you can -- and try to do it briefly -- tell me, to give me some idea of the development of the business from the period of 1933 to the start of World War II.

A You're talking in size or -- as well as --

Q First of all, what was the nature of the business that you were engaged in? What were you doing?

A Well, at that time, namely 1933, I forgot to mention that in the purchase we became a distributor of Pioneer Instrument Company~~'s~~. That was part of the sale.

Along about that time Pioneer Instrument Company was acquired by the Bendix Corporation and I was able to get for Standard Aircraft Equipment Company the distributorship for the then divisions that they had in the aircraft field, which were Bendix Products, Eclipse Machine.

Who else? Sci~~e~~ntilla Magneto Company.

That was it at the time.

Q You acted as a distributor of those products?

A As a service facility and distributor of those products, yes.

Q What do you mean by "service facility"? What were you doing?

A Repair facility.

Q I see.

A Repair.

Q Who were your customers in those days?

A Primarily individuals, sportsmen pilots if you will, plus potential trans-atlantic flyers. Charles A. Lindbergh was one.

Who else? There were dozens of them. No names come to mind right at the moment, but I think we had an average of probably 20 potential trans-atlantic flyers. That was a big part of our business at that time.

Q Now, in terms of number of employees, how did the business grow from 1933 to World War II?

A In March 1933 I started out with three people, one of whom was myself. What was the -- oh, World War II?

Q The start of World War II, who -- how many people did you have?

A Well, I'm not sure of the amount. I would say somewhere in the neighborhood of 80, 85.

Q 80, 85?

A Yes.

Q Now, were there any significant developments in the business during the World War II period?

A During World War II period, the individuals and the corporation pilots could not obtain materials without priority. The result was that flying ceased or came to pretty much of a conclusion.

However, Civil Air Patrol, which was a division of Air Force, became quite active. We dealt with them.

We dealt with the military, both the Navy and the Air Force, and then the airlines had priorities and we were able to start to sell products that we represented to the airlines.

This was the start of our real growth in the sales portion of our business.

Q You mentioned before that the business was incorporated in 1947?

A Yes.

Q Under the name that's then used, Standard Aircraft Equipment Company?

A No, I applied for that name ~~as was~~ but could not get it. The lawyer that I had said it was not available, and the second choice was incorporation under the name of L. J. Bollo, Inc.

I felt that I had developed quite a bit in the name of Standard Aircraft and wanted to try to get it, so I tried another lawyer and he, how I don't know, but he got it for me.

So it became Standard Aircraft Equipment Company, Inc., in approximately three or four or five months after the initial incorporation.

Q Okay. Concentrating now on the period between the end of World War II and, let's take it to the end of 1969, again can you give me a general description of what happened to the business, what was going on in terms of activities?

A We're talking about Standard Aircraft?

Q That's the only company I'm talking about.

A Okay. We started to grow. The expansion came primarily in the wholesale or the sales section. The service division also grew, but not as great a rate as the sales, until we reached a proportion of approximately 90 per cent sales, 10 per cent service.

We also started to take additional sales distributorships. This gave us a -- more sales potential.

Q In terms of numbers, how did you grow by way of adding distributorships?

A From the number 1 in 1933 up until somewhere in the 1960's, when we had approximately 100 distributorships.

Q At the same time were you adding product lines?

A That's what I'm talking -- a distributorship would be a product line.

Q I see.

Take 1969, how many particular items did you have in your inventory?

A Our inventory in 1969 consisted of approximately 50 to 60 thousand. This would be piece parts, units. Everything that had an inventory card.

Q You just used some words.

THE COURT: Does that mean different, 50 to 60 thousand different parts?

THE WITNESS: Different parts, yes.

Q You said "piece parts and units" could you tell us what you mean by a "unit" as distinguished from a "piece part"?

A A unit in the business that we were talking about would be a complete part ready to go on an engine or an airplane, such as a generator or a complete instrument.

A piece part is a repair part that goes into that generator. For example, brushes. Brushes in a generator would be a piece part. A generator would be a unit.

(Cont'd on next page.)

DIRECT EXAMINATION

BY MR. BLUMSTEIN: (Cont'd.)

Q Now, in terms of your sales, can you tell me whether there was any particular concentration on either piece parts or units or both or just what was the situation?

A Our business was primarily the sale of piece parts.

Q Can you express it to me in percentage terms, if you know?

A I couldn't give you the exact percentage but it was -- the ratio was in the area of 95 per cent piece parts, 5 per cent units. Something along that line.

Q Now, going back to the thirties, there you were talking about individuals who were flying airplanes. Did the nature of your customers change in the post World War II period?

A Yes, they did. The sales started to come from airlines, small and large, fixed base operators, people of that -- in that category.

Q What is a fixed base operator?

A A fixed base operator is an operator that is located at a given airport, who services several airplanes that are located on that airport. That is his business.

Q These are usually private planes, I take it?

A Not necessarily. They would be commercial as well as private, but not airlines. Airlines are not -- airliners.

Q Now, you say that in 1947 the corporation was formed.

A Yes.

Q Did you become the sole stockholder of that corporation?

A No.

Q How much stock did you own?

A I had 90 per cent.

Q I see. This is what you were referring to?

A That is that 90 and 10 per cent.

Q Who had that other ten per cent?

A Harry K. Wright.

Q Who is Mr. Wright?

A He was a man who had previously worked for Eclipse Pioneer and who I took on to -- to establish or to increase sales.

Q And how long did Mr. Wright's ownership of that ten per cent continue, if you know?

A Until 1961.

Q What happened then?

A At which time he left the company and the company bought back his stock and placed it in treasury.

Q Now, ~~D~~id ~~that~~ there come ~~at~~ a time when Standard had ~~published~~ a public offering of its stock?

A Yes, they did.

Q And can you tell me when that was?

A It was either in 1958 or '59.

MR. BLUMSTEIN: Could you mark this, please?

THE CLERK: Sure.

Eight-page document marked for identification as Defendant's Exhibit T.

(So marked)

THE WITNESS: May I have some water, please?

MR. RADICE: Certainly.

Q Let me show you Defendant's Exhibit T for identification and ask you if you can identify it?

A Yes, I can identify it.

Q What is it, sir?

A This is a copy of the offering circular of Standard Aircraft Equipment Company for 75,000 common shares, par value 50 cents, sales price $4 per share.

Q Don't read me what is --

A Okay.

Q It is the offering circular?

A Yes.

Q Looking at the first page, particularly the last line, does it refresh --

A Dated 1959.

Q Let me finish the question. Does it refresh your recollection as to the time of the public offering?

A Yes.

Q 1959?

A 1959.

MR. BLUMSTEIN: I'll offer this in evidence, your Honor.

MR. WILLIAMS: No objection.

THE CLERK: Defendant's Exhibit T now marked in evidence.

(So marked)

THE CLERK: Is it for the Judge?

MR. BLUMSTEIN: Yes.

BY MR. BLUMSTEIN:

Q I'll leave this with you for a moment. Can you tell me how many shares were involved in this particular offering?

A 75,000.

Q And was the offering successful?

A Yes, it was.

Q Were all the shares purchased?

A They were.

Q Now, as a result of that offering, can you tell me in percentage terms, how much stock in the company you now held and how much the public held?

A In terms of percentage, I think my ownership went down from 90 to, oh, maybe 65 or 70. In that area.

Q How much money did Standard raise by virtue of this offering?

A $300,000, less expenses.

Q And what did Standard do with the proceeds?

A The proceeds were used to tool up in our repair department for the auto pilot, in the first generation jets, and a fuel controls in our accessory department, for the first generation jets, and the balance went into working capital.

Q Let me ask you this. From the time of the company's incorporation in 1947 until the time that you resigned in October of 1970, were you the president of the company?

A Yes, I was.

Q And for a part of that time were you also chairman of the board?

A Yes, I was.

Q For what portion of the time were you chairman of the board?

A I was chairman of the board from the date of incorporation until September 19, 1969.

Q And who then became chairman?

A Putnam McDowell, of Pittsburgh Coke.

Q Has Standard ever paid any cash dividends in connection with its stock?

A No. Standard has never paid any cash dividends. ~~discounts -- cash.~~

Q Dividends?

A Dividends, I'm sure. Except that we did give out stock dividends and we did pay fractional shares in cash, in lieu of fractional shares.

Q Those payments, however, were in connection with the declaration of stock dividends?

A That's right.

Q Okay. I would assume that during the period of time that you were president of the company, you received a salary?

A Yes, I did.

Q What salary were you receiving, let's say, in December of 1968, prior to the time that you signed the contract with First Grant?

A $40,000.

Q Did it thereafter go up?

A Yes, it did.

Q To what?

A To 65.

Q And when did that happen?

A That happened immediately after the transfer of the stock to Pittsburgh Coke. After they took over 80 per cent.

Q Okay. Did Standard in the years 1968 and 1969 have any subsidiaries?

A Yes, they did.

Q Let's talk about them for a few minutes and briefly. Can you give me their names, first of all?

A Yes.

Q Let's start off this way. How many were there?

A There were three.

Q Okay. Give me the name of one of them.

A Standard -- Standair `. Division was a subsidiary. That was number one.

Q All right. Let's stop there for a minute. What did Standair do?

A They were our repair division. In other words, all repair work was done by that separate subsidiary.

Q So they were really handling the service part of your business?

A Right, yes. We had co-mingled sales and service prior to that.

Q Do you recall when Standair was set up?

A Not the specific date but in the late fifties sometime.

Q All right. That takes care of one. What is the next one?

A The next was Standix.

Q And what did Standix do?

A They were engaged in the purchase and sale of supplies and used equipment and this equipment was primarily the equipment that the manufacturers no longer manufactured.

Q So they were in the sales aspect of the business.

A Sales only, yes.

Q Why did you need a separate subsidiary to engage in the sales aspect -- that sales aspect of the business?

A Our contract with the manufacturers didn't permit us to engage in the sale of so-called ~~supplies~~ surplus material and/or used material or to reduce the price of any units that they made. So this was a vehicle that we used that satisfied the manufacturers of the end product.

Q Well, one more question. What was bothering the manufacturers? Why did they not want Standard to deal in this ~~supplies~~ surplus and used equipment? What was the business reason behind their --

A The business reason was that it would upset the market. They would find, if we, the distributor, were allowed to co-mingle ~~supplies~~ surplus and new, the result would be a reduction in ~~supplies~~ price very often.

Q I see. Did Standix ever receive any sales material from Standard?

A Yes, they did.

Q Under what circumstances?

A Anything that Standard had written off that became what we termed no inventory value equipment, was available to Standix in the quantity they desired. What was -- would you return to the question, please?

Q I want to know what that relationship was? You told me that --

A Okay. That is it. Now, they broadened

their field, in addition to getting units from -- units and spare parts from Standard, they went on the market and bought ~~supplies~~ surplus equipment from various airlines and the military.

Q All right. Now, let's talk about the third subsidiary.

A The third one was known as Standard Aircraft Leasing Corporation.

Q And --

A And this corporation was set up for the purpose of leasing the products that we sold and test equipment that we sold to people that wanted to buy -- to acquire on a leasing basis, and at that time we really thought that we would have very considerable leasing business with Capitol Airlines of Washington, D. C. That never materialized because they never got the airplanes and were taken over by United Aircraft- United Airlines. So we lost that portion of the business, but we did continue with this little operation. We did lease some items of test equipment and then we leased to our parent company cars and trucks and things of that nature.

Q But I gather from what you said that it was a little operation?

A It was a small operation, yes.

Q Now, turning to the period 1969, '69, approximately how many suppliers or manufacturers did you represent during those years?

A 1968, '69?

Q Yes.

A Approximately 100.

Q Can you give me the names of the signifidnat suppliers in terms of sales?

A Yes. We treated ten divisions of Bendix as autonomous corporations. We dealt with them separately. So that would be ten of our very important suppliers. Next would be Whittaker Controls, another one. Champion Spark Plug. Pesco Products. ~~Sony Tone~~ Sonotone Battery. If I could consult the list, I can -- is that sufficient? Or do you want more?

Q Goodyear?

A Goodyear Tire and Rubber, yes.

Q Now, of the ten divisions of Bendix, which were the most significant, in terms of sales?

A Eclipse Pioneer and Energy Controls.

Q Now, just so that we don't get confused, Eclipse Pioneer --

A I'm sorry.

Q Later became known as?

A As Navigation & Control~~s~~.

Q Okay. And Energy Controls?

A Energy Controls, you want -- that is what they became but they were at one time as Bendix Products.

Q Those were the two most significant divisions?

A Two most significant, yes.

Q Now, I take it that there were certain suppliers or manufacturers that you did not represent?

A Yes, there were.

Q Yes. Now, for example, were there competitors of Bendix Navigation & Control~~s~~ Division that you did not represent?

A Yes, there were.

(Continued on next page.)

Joe B fls.

JB:MM
T4R1

Q Such as?

A Sperry Phoenix.

Q Right.

A Honeywell.

Q Right.

A And a few other names that escape me now.

Q Was there some particular practice in this business which precluded you from representing competitors of Bendix Navigation & Control so long as you represented that company?

A Yes.

Q What was that practice?

A They frowned upon it, upon you taking on -- on a competitor's distributorship.

Q Was this true generally of manufacturers and suppliers?

A Yes, it was.

Q So that if you were representing, let's say, Champion Sparkplugs, you generally could not get a distributorship, say, for AC Sparkplugs?

A No. It was not permitted.

Q Now, in terms of your contractual relationship with your suppliers, were they an exclusive or non-exclusive relationship?

A We held no exclusive distributorships.

Q None whatsoever?

A None whatsoever. They were all non-exclusive.

Q Now, generally speaking, were there any termination clauses in this contract?

A Every contract had a termination clause. They varied somewhat. But the shorter being -- I think being five days. But the average was thirty days -- thirty days was about it in most cases. None that I can think of that went past that.

Q Now, we have had some testimony here about discount rates under the contracts that you had. What was said about discount rates?

A When? What was said?

Q About discount rates?

A Under the contracts?

Q Yes.

A Which contract?

Q I am asking you if you can describe them in general terms.

A All right.

In all contracts a discount rate was spelled out which would be the purchase -- which would result in the net purchase price for us, the distributor. In most cases the selling discount was spelled out as well.

Q What about -- what did the contract say about the possible changes in the discount rate?

A Changes could be made by the manufacturer at any time.

Q Now, the years 1968, '69, I take it, you dealt with the commercial airlines; is that correct?

A Yes, we did.

Q Of the commercial airlines, who were your major customers?

A The major one was PanAm Airways, located in New York.

Q Who were some of the other significant customers?

A The others would be the foreign airlines who had purchasing offices in New York such as -- shall I name them?

Q Just a few.

THE COURT: What was the last?

THE WITNESS: Purchasing offices.

THE COURT: The airline? You said such as --

THE WITNESS: I didn't mention it.

MR. BLUMSTEIN: He was about to give us the names.

THE WITNESS: I asked him if he wanted to know.

THE COURT: I'm sorry.

THE WITNESS: Shall I name a few?

Q Name a few.

A British Overseas, Air France, Air India, Irish Airlines, El Al Israel.

Q That's enough.

A Okay.

Q What about -- you mentioned PanAm. What about other domestic airlines? TWA?

A TWA was a customer of ours, yes.

Q Eastern?

A But --

Q Excuse me.

A In a small way. Up until maybe 1968 or so, until the time we got our branch opened in Kansas City, which is their headquarters.

Q I see. Eastern? Eastern Airlines.

A Eastern we did very little business with Eastern until we opened our Miami branch, which was Eastern's headquarters. They are located in Miami.

Q I take it, from what you have just said, that there is some relationship in terms of the business you are able to get between -- where you may have a branch located and where the airline itself may be located.

A The only thing we had to sell really was service. The manufacturers could sell these airlines at the same price and our fellow distributors could also sell at the same price.

So in order for us to get the business, we had to establish a branch near the airline that we wanted to do business with.

Q All right. Approximately how much of your business was with the commercial airlines that we have just been talking about?

A Same year.

Q '68, '69.

A At least 50%.

Q What about the balance of the business?

A The balance would have been divided up between fixed base operators/corporation owners which started to be kind of a big business, repair customers, military and the odds and ends.

Q Well, would it be correct to describe the other fifty percent as being the general aviation business?

A I wouldn't categorize it as general aviation business because we did -- I'm including our repairs section in that, too. General aviation would be fixed base operators corporation owners and so forth.

And that business in sales probably was 35, 40%.

Q Okay. Now, you were talking before about the significance of the branches in your operation and you were describing I think in general terms what it was that you offered and you said it was a service that you offered.

Could you tell me a little bit more about the nature of the service that you offered?

A I'm going to ask you to repeat the first part. I didn't hear the first part of your question.

Q I'm sorry.

We were talking before about branch offices, branches, and how they related to the business. And you mentioned that service was the only thing you had to offer?

A Yes.

Q Now, I would like if you could explain to me what you mean by that.

A Having the right part at the right place at the right time.

In other words, we did mention Eastern. We got a lot more business from Eastern when we had a branch established in Miami, very close to Eastern's headquarters. Business picked up quite a bit.

We opened a branch in Atlanta, Georgia, close to Delta Airlines -- close to Delta Airlines as we could. That resulted in considerable airline business to that branch.

The same applied in Kansas City where we opened a branch as close to TWA as was possible. Then we had two other branches, one in Los Angeles, and one in San Francisco.

Los Angeles served pretty much the airlines that flew out of the West coast going to Japan and so forth. Japan Air Lines being one of them.

San Francisco is the headquarters of United Aircraft. We picked up business when we opened the branch there.

Q I take it, the idea was that being close to the airlines was that you would be there with the part when they called for it?

A And ahead of anybody else.

Q Okay. Could you give us the names of the -- of the other companies in this field who were your principal competitors during this period of time.

A Yes. The principal competitors were called the big five, which were: Pacific Airmotive Corporation, -- do you want their addresses?

BEST COPY AVAILABLE

Q No.

A Air Work Corporation, Southwest Airmotive Corporation, and Van Dusen Aircrafts Supply.

Q Okay. You were talking before about the relative proportion of sales of units versus sales of piece parts or spare parts?

A Yes.

Q What was the percentage that you gave?

A I think I mentioned 95 and 5. 95% spare parts and 5% units.

Q Now, was that, to the best of your recollection, essentially the percentage that applied during the years 1968 and 1969?

A That held fairly constant. It may have gone up a few percentage points one way or the other. But it was fairly constant to that period of time.

Q Now, let me ask you, if you will, to tell us what the expression initial provisioning means in your business?

A Initial provisioning is a term used to indicate the purchase of units and piece parts by an airline when they take on a new product.

In other words, it's their first order.

Q Let me see if I understand that.

A Surely.

Q When a plane is manufactured, it's an airplane and it's got all of its parts? I hope.

A That's right.

Q Now, you are not referring to those parts that go into the original manufacturer?

A No, I am not.

Q You are talking about units or replacement parts for what is already on the airplane?

A that's right.

Q Why would an airline when it purchased the plane at the same time make provisions for spare units or spare parts for a brand new item, a brand new airplane.

A Why do they do it?

Q Yes.

A Under the regulations of the FAA, all airlines have to have a certain number of units and spare parts at certain locations along their route.

Q I see. So American Airlines, for example, would have to have some of those parts, let's say, in New York and perhaps some in Los Angeles and --

A And Chicago. Yes.

Q That's before they can put the plane in the air?

A That's before they can carry a passenger.

Q Before they can carry a passenger. Okay.

Now, prior to the years 1968, 1969, had Standard been involved significantly in receiving orders for initial provisioning of new airplanes as they came into service?

A Not to any great extent.

Q Well, the bulk of its business, then, was in the -- what you might call the follow-up support.

A That would be what I would term our bread and butter business. Yes, things that went on constantly.

Q So there would be the initial provisioning, but when the supplies ran low, then they --

A They would be replenished.

Q I see. That would be the bread and butter business?

A Yes.

Q I want to ask you some questions about your inventory. I think we have already --

THE COURT: Before we come to that --

MR. BLUMSTEIN: Sure.

THE COURT: Before we come to the specifics, I think the two matters that I have are probably ready and maybe this would be a good point to take a recess for a quarter of an hour or so.

MR. BLUMSTEIN: Fine, your Honor.

(Recess taken.)

THE COURT: All right, Mr. Blumstein, you may continue.

DIRECT EXAMINATION

BY MR. BLUMSTEIN (CONTINUING):

Q Mr. Bollo, we were starting to talk about inventory. And you say that the -- in terms of the number of items, that it was between 50,000 and 60,000. How much space did the physical inventory occupy, let's say, at Garden City?

A 14,000 square feet.

Q I want to ask you some questions about the composition of the inventory

First of all, did you have in your inventory certain items which you called insurance items?

R2 fls A Yes, we do.

(Continued on next page.)

T2R2
JB:MM

Q Would you explain to me what an insurance item is?

A An insurance item is an item that rarely is required, but when it is, it's very important to have it.

For example, if you don't have it, that type of equipment is not available from the manufacturer generally and they have to make it in a special shop, with the result that delivery runs on that type of equipment anywheres from six months to a year.

Insurance items generally don't wear out, but they can be damaged by the unit being dropped or something of that nature.

Q Can you give me an example of something that might be an insurance item?

A Yes. A generator case. The mounting case for example.

Q Yes.

A Very few of those would wear out. But if the unit happened to be dropped and an ear was broken off that would hold that generator up until such time as that particular part became available. That's what we term insurance items.

Q In terms of customer relations, was it significant that you had such insurance items?

A Very helpful for customer relations to be able to turn something over to them that was normally very hard to get.

Q Now, in terms of the composition of your inventory, I assume you had some very cheap items. What was the cheapest one? Give us an example.

A A few cents. Probably a nickel.

Q For what?

A One piece.

Q What?

A A washer.

Q A washer?

A Yes.

Q On the upper range, what would your most expensive item be?

A Piece part, right?

Q Or unit, or whatever.

A Well, units could run -- I believe an amplifier and a small generator, which is a unit, part of an auto-pilot, could run $20,000.

Q Now, was most of the inventory in the upper range or the lower range?

A Most of the inventory was/in the lower range.

Not necessarily a nickel a piece, but --

Q I understand.

A Okay.

Q Well, let's say $500 or less?

A Yes.

Q What kind of inventory would be carried in the branch offices?

A We would start by carrying that product line which we were most likely to sell to the given airline.

~~Wittacker~~ Whittaker would be one of the items. Since we were the only distributor, we would go into that with that product. Then we would negotiate and try to sell electric energy, which is the wheel and brake inventory.

And if successful -- or showed any desire to buy it from us, we would put that in the branch and so on down the line.

In other words, we would not put something in that we knew full well we were not going to be able to sell them. But we put most saleable products in.

Q Did you have any dollar limitation on the range -- on the kind of inventory you might have in the branch?

A Yes. There is a lot of thought given to that at the time of setting up of the branch. It was a guess at the time of the initial transfer of inventory. Then it was adjusted downward or upwards depending on the volume of business.

Q Business?

A Yes, it was. From there on it was replenished. And we usually replenished it at the rate of sale.

Q Let me ask you this. Did the volume of inventory you might carry of a particular supplier's part have any significance in terms of your relationship with the supplier?

A Oh, definitely, yes.

Q In what way?

A The supplier, unless we carried sufficient inventory, would fear that we were not doing a job for him. This is what he was paying us in terms of discount differential to do, to have his part available at a given position for sale.

Q Were there ever any occasions when a supplier cancelled your distributor because you carried insufficient inventory?

A Yes, there was.

Q Could you tell us about that, please?

A ~~Sentila~~ Scintilla Magnetic Division, now Electric Components -- Electrical components.

Q Bendix division?

A What's that?

Q Bendix division?

A A Bendix division, yes.

Q Go ahead.

A Cancelled us in -- and I'm not sure of the date, but in the late '50's because we didn't carry sufficient inventory. And they gave the distributorship to somebody else.

It was only some ten years later when that somebody else started to cut down on their inventory that we were able to get it back.

Q I see. Now, let's talk about the recordkeeping that you maintain with respect to inventory.

I am talking about the years 1968, 1969, now. What kind of inventory records did you have?

A We had a card inventory at Garden City. And we used the same card in all branches. That was a manual card, inventory card.

MR. BLUMSTEIN: May I have this marked for identification?

THE CLERK: Four pages I can mark for identification as defendant's Exhibit U.

MR. BLUMSTEIN: Thank you.

Q Let me show you defendant's Exhibit U for identification. I ask you if you can identify it, please?

A Yes. This is a Xerox copy of our inventory card.

MR. BLUMSTEIN: I will offer it in evidence.

MR. WILLIAMS: No objection.

THE CLERK: Defendant's Exhibit U now marked in evidence.

Q Take a look at defendant's Exhibit U and describe for us in general terms, if you will, the kind of information that is contained on this card. This, of course, is a blank card, isn't it?

A Well, this has some writing on it, but pretty much it's a blank card.

Q All right. Tell us the kind of information that might appear on this card if it were not a blank card.

A Well, this was a card that was designed by our people -- I believe Mr. Rushia had a lot to do with it, -- to give us the information that we wanted. And it starts with the place or position for manufacturer's code number, the description of the part, the part number, the next line is interchangeability and remarks. Then supplied by, reasons, standard package, unit price, review point. Then we went down to where the items would be listed, the date, the customer purchase order, the sales order, the quantity on order. Then an order balance column which also includes an accumulated back-order column, scheduling and so forth.

And on this card you are able to -- and we did list all purchases of this particular item, the date of the order and the order number.

The next would be any sales that we had made that we owed this part to if we didn't have any other inventory.

Then the next item would be the receiving of this particular part and the bringing in of the total quantity of inventory as a result thereof. And then the sale of that part reducing that inventory number and so on.

Q I take it, then, that if you wanted to determine the sale history of any particular item in your inventory, you could do so by looking at that card?

A Yes, you could. It gave you a lot of historical information.

Q And there was one such card for every item in your inventory?

A Yes, there was.

Q I see. So you would have between 50,000 and 60,000 such cards?

A Yes. Plus the cards that were at each and every branch. They use the same.

Q I understand. Now, just with reference to Garden City, where were the cards located?

A They were located in the general office. And they took up considerable space. And we had -- I don't know for sure, the posting clerks, but I think it ran as high as seven or eight girls. There were daily postings of these cards.

Q You say a lot of space. About how many file cabinets?

A We didn't use file cabinets. We used tubs.

Q Tubs?

A Tubs. T-u-b-s, which held them along the wall. And I would say they -- the size of them -- the length would be approximately half the length of this room from front to back.

Q To your knowledge, sir, at any time prior to September 18, 1969, did you or did anyone else at Standard refuse to allow any representative of First Grant or Pittsburgh Coke to look at any, some or all of these inventory cards?

A No.

Q Now, in the years 1968 and 1969, were you engaged in any project by which you sought to use the assistance of a computer in connection with your inventory records?

A Yes. In about that time it became necessary to computerize our inventory, particularly those lines that were sold to the airlines.

The airlines started to operate on what was known as ATA-200, which stood for Air Transportation Association 200, which to boil it down meant that if you did not have a punch card system to tie it in with their system, you could not get any business on any particular product line. So we purchased and started to convert the principal lines first by line item -- I am sorry -- by the computer line and then go into the next product line over onto what were known as magnetic ledger cards.

Once again, we felt that we wanted a historical information on the card visually so we could pick up a card with the whole history of that particular part at a glance. And this was principally to assist our sales department and telephone communications.

GR fls

(Continued on next page.)

Q Yes?

A The entrance into that magnetic tape card -- tape ledger card which was, oh, 14 by 20, approximately, was done ~~my~~ by means of IBM punch cards. The removal of parts were done with the same cards, not the same, but the same type.

Q By September 18, 1969, what was the status of this project in terms of transferring the information and having it in computerized form?

A The transfer went rather slowly because we transferred one line at a time and still kept the old system going, too.

When we were satisfied with the transfer to the card -- to the automatic card system, we would wash out the manual type card.

To answer your question, how far along were we in, you said, ~~1979~~ 1969?

Q Yes.

A Forty to 50 per cent. Something like that. Approximately. Of the major lines. Maybe more.

Q Prior to September 18, 1969, to your knowledge, was any representative of Pittsburgh Co. or First Grant denied access to any of the information that was available in computerized form as ~~at~~ of that time?

A No, they were not.

Q In terms of reordering items for inventory, where your supply may have been ~~deplinished~~ depleted, did you have any procedures with respect to that particular subject matter?

A Yes.

Q What were those procedures?

A We had minimum-maximum quantities on the card.

Q Right.

A And in the case of the old cards, the card supervisor would make a list of the parts required when it got down to the mimimum. It would then go to Mr. Rushia, who would then determine whether or not an order should be placed on that.

He would then place it through the purchasing department.

It worked pretty much the same way on the automatic data processing cards, except it was through -- sort of a different division within that department that handled it.

Q Now, in connection with determining what should or should not be reordered and in what quantities, did you ever have any regular type of meeting at which a topic like that might be discussed?

A Not really regular, no.

Q What kind of meetings would you have?

A Well, whenever Mr. Rushia, whose responsibility it was was not quite sure, he would meet with Jerry Bollo, who was in charge of sales, and a discussion would take place and usually it was settled right then and there.

Sometimes I got in on it as well.

Q What about meetings with some of your salesment? Did they ever take place?

A There were meetings with our salesmen, yes.

Q What were the topics that might be discussed at meetings with salesmen?

A Salesmen out in Garden City generally reported in once a week and it was not -- not an open meeting where we all gathered together.

They would gather mostly with Mr. Jerry Bollo, Mr. Ernie Rushia, and Mr. ~~Frankowitz~~ Froncwitz of purchasing and resolve whatever their problems, if they had any.

But we would get feedback information and I got in on some of those but not too many.

Q Did you, on a regular basis, receive any kind of reports relating to inventory?

A Inventory reports?

Q For example, from your accounting department?

A Not for Garden City but it seems to me that I did see branch reports on inventory.

Q What was your practice with respect to valuation of inventory? Is there a formula that you used?

A Yes. We used first in, first out, at cost.

Q First in, first out, at cost?

A Cost.

Q What about if the market was below cost?

A Well, that was part of it. I guess. It was -- it would be -- what was that called now? I am a little confused. But lower of cost or market is what I am trying to come up with.

Q I want to turn to the subject of inventory write-offs. Did Standard -- now let me refer to the years 1962 through 1969 -- have any inventory write-offs during that period?

A There were always inventory write-offs in every subsidiary, except Standix, perhaps, and every branch and at headquarters and this was not daily but it was as anything happened, such as breakage, loss of a part, return of defective material by a branch, replacement by our sales department of something that was sold and was considered defective.

All of this reduced the inventory cards from which we took inventory at the end of the year.

Q As I understand it, these were inventory write-offs that were done on a day-to-day basis?

A As required.

Q As required?

A Right.

For instance, if I may?

Q Sure?

A If a sale was made on a given part and they counted out the number of pieces required, they had to look at the inventory and the quantity differed from the card, it was an inexpensive item, the card was automatically corrected.

If it was an expensive part, let's say $150 or more at cost and it could not be found, a diligent search was made by two or three people, including Mr. Rushia.

When they came to the conclusion that something had happened, that that part had disappeared, they would write the inventory card down, the reason being that we no longer had that part for sale.

Q Do you know if any records were maintained which showed the amount of such write-offs during any given year?

A That type of write-off was not -- no records were kept.

(Cont'd on next page.)

GRsf
3am/2

DIRECT EXAMINATION

BY MR. BLUMSTEIN: (Cont'd.)

Q Okay. Now, during the years 1962 through 1969, were there any occasions where at the end of the year there would be some additional write-off of the inventory items?

A Yes, there were.

Q Now, do you happen to know whether there was such write-offs during each of those years?

A Not in each of those years, no.

Q Just in some of those years?

A Just in some.

Q Now, would you tell me, sir, as you understand it, what the procedure was for determining what the amount of such a write-off would be?

A Would you repeat that, please?

Q I want to know what the procedure was for determining the amount of that write-off?

A The determination was mine, was made by me, as to what should be written off, based on certain lists of material being supplied to me by Mr. Kushia.

Q Well, could you amplify on your answer and take any year in which there was a write-off and tell me step by step what the process was?

A As I recall it, I was furnished with a list, by line item or by product item, listed, priced and totalled and I looked these over, asked him some questions, asked other people some questions relative to the sale of it, used my roughly 37 years of experience in the business and came up with a determination on what I felt should be written off in that particular year. This resulted in a recap of those items that were not -- that were written off and this recap went back to Mr. Rushia's department for reduction on the cards and then those recap sheets coming up with the total was sent into the accounting department then in turn turned them over to our outside certified public accountants.

Q That was the firm of Byrnes & Baker?

A Byrnes & Baker, right.

Q In terms of the decision that you would make as to which items should be written off, can you give us some idea of what factors you would take into account?

A Yes. The factors were whether or not the part or parts in question would be sold in the future, the cost of the items, the quantity we had in stock. These were factors that made me -- gave me the determination on what we should do.

Q In connection with making this decision, did you take into account the length of time since there had been a sale, prior sale of that particular product?

A It was a factor, but my consideration was more focused on whether or not we had a reasonable chance of selling the part.

Q In the future?

A In the future. How many airplanes have used that particular part were active . in the area. We did have movement by groups of airplanes in and out of our area, which made a difference in inventory.

Q These inventory write-offs that we have been talking about, the second category, end of year write-offs, were done in connection with the annual audit by Byrnes & Baker?

A We often held up Byrnes & Baker until we could supply this information, so they can continue and complete their year-end audit.

Q Did you ever have discussions with Byrnes & Baker concerning inventory and inventory write-off?

A Not inventory or inventory write-off by itself, no.

Q What do you mean by itself?

A Well, usually the discussions would be on the annual report, the balance sheet, the profit and loss statement and everything else that went into the annual report. Everything, the work sheets of their end of the year closeout. That is what I'm talking about. One item was inventory.

Q Excuse me?

A Of which one item was inventory.

Q What you are saying is, that you discussed with Byrnes & Baker the ~~inter gamit~~ entire gamut of things that had to be discussed, including ~~one~~ the item of inventory?

A That's right.

Q What would you do with items that you decided to write-off? Would you dispose of them?

A Generally, once again depending on size, and whether they were saleable in the future, they would be kept in our stock and the inventory card would be stamped. NIV, which stood for No Inventory Value. Our subsidiary Standix had the right to take any inventory, any NIV inventory in the quantity desired at the time that they felt they had a sale for it. If we had a bulky situation, where we needed the space, we would donate it to Standix, if they wanted it. Tires, for example, when they reached the point of being unsaleable, were thrown out, because they were bulky items. But the majority of our items, majority of inventory, were small piece parts. Didn't take up much space.

Q You gave us before the names of some of your principal competitors. Did you ever make any inquiry concerning the inventory write-off policies that they followed, prior to let's say, September 18, 1969?

A No, I never did.

Q Now, there came a time when First Grant Corpoaration pursuant to agreement with yourself and Standard purchased a stock interest inStandard Equipment, is that correct?

A Yes, that's correct.

Q Do you recall when that was?

A I believe it was in 1967.

MR. BLUMSTEIN: Mr. Clerk, may I have this marked for identification?

THE CLERK: Sure. A ten-page document marked for identification as Defendant's Exhibit V.

(So marked)

BY MR. BLUMSTEIN:

Q Mr. Bollo, let me show you Defendant's Exhibit V for identification and ask you if you can identify it?

A Yes. This is a copy of the agreement of 1967, ~~written~~ which First Grant acquired from Standard Aircraft, from Orfin Leach. From the public? It's the contract for the 1967 transaction?

A Yes, it is.

Q And ~~it's -- receipts~~ it reads this agreement made this 8th day of June, 1967?

A 1967.

Q 1967?

A That's correct.

MR. BLUMSTEIN: I'll offer it in evidence.

MR. WILLIAMS: Okay.

THE CLERK: Defendant's Exhibit V now marked in evidence.

(So marked)

Q Now, Mr. Bollo, for my next series of questions I would like you to focus on three dates, June 8, 1967, the date of this agreement, December 20, 1968, the date of the second contract and September 18, 1969, the date of the closing under the second contract.

A Yes.

Q With reference to the first date, June 8, 1967, can you tell me whether prior to that date you had any discussion with representatives of First Grant Corporation

Pittsburgh Coke concerning your inventory?

A Concerning what?

Q Inventory? Your inventory. Standard's inventory?

A I believe all phases of the business were mentioned at the time, yes.

~~Q~~ Were discussed, let's put it that way.

Q Well, with whom did you have these discussions?

A The first people that I recall that we talked with or that I talked with would be Mr. Tom Binker, who was president of First Grant Corporation at that time, and Mr. Richard Johnston, who was assistant to Henry Hillman, the president of Pittsburgh Coke.

Q Which was the parent of First Grant Corporation.

Q Now, if you can recall, please tell us what the discussion was in those conversations with respect to inventory?

What did these -- what did you say?

A I don't know that I could tell you specifically what they said or what I said in that particular time.

Q Can you tell me generally?

A In general, they were concerned with the overall business and not any specific phases of it, other that, of course, inventory was our biggest asset.

Q Do you recall whether either of those two gentlemen ever asked you any questions concerning your inventory write-off procedures or policies?

A No, I don't think they did.

Q ~~Let's~~ Let's turn to the next date, December 20, 1968. Between June 8, 1967 and December 20, 1968, did you have any discussions with representatives of First Grant and Pittsburgh Coke concerning the same subject, inventory?

A No, I don't believe so.

Q None at all?

A None that I could think of.

Q Let's go to the third and final date, September 18, 1969. Between December 20, 1968 and September 18, 1969, did you have any discussions with any representatives of First Grant or Pittsburgh Coke on the subject of inventory?

A No, not really. The only thing that comes into my mind was that during that time frame ~~period~~, representatives were sent in from First Grant or Pittsburgh Coke and they had asked to see the inventory system and they were taken down and introduced to Mr. Rushia.

Q And do you recall the names of those representatives?

A I think it was Mr. Rodney Bonar, as being one, and whether there was somebody else or not, I can't recall.

Q Mr. Bollo, I want to show you a copy of a document that's already in evidence, Plaintiff's 9. It is a memorandum prepared by Mr. Bonar reporting on a trip that he took to Standard. I'm going to direct your attention to a paragraph on the second page of that memorandum and ask you to -- I think what I'll do is, I'll read it to you, if I may. It's the one that begins, "Standard's inventory write-off polic~~es~~y requires that if an inventory item has no sales or inquiries within two years, the inventory is written off to zero. The item stays at zero value at Standard for another two years, after being written off. At the expiration of the two year period, if no sales occur, it~~'s~~ is donated to Standix for resale. Current accounting practice is to reserve $4,000 a month, or $48,000 a year for inventory write-offs. This is roughly 1.4 per cent of year-ende~~d~~g 1968 $ inventories."

Going back to the very first ~~incident~~ sentence, "Standard's inventory write-off polic~~es~~y requires that

that if an inventory item has no sales or inquiries within two years, the inventory is written off to zero."

Do you recall whether at any time when you met with Mr. Bonar, when he was at Standard's offices, making any such a statement to him?

A No, I never did.

Q To your knowledge, did anyone else at Standard ever make any such statement to him?

A To my knowledge, they did not.

MR. BLUMSTEIN: Your Honor, I'm about to move on to a new subject. I see it's a quarter to one. Would this be a good time to break for lunch?

THE COURT: Is that agreeable?

MR. WILLIAMS: Yes, your Honor.

THE COURT: Then I'll return at two, is that it?

MR. WILLIAMS: Return at two. I think before we go, though, I understand you have an application to the Court?

MR. BLUMSTEIN: Well, --

MR. WILLIAMS: We'd like to straighten this matter of Mr. Christopher and procedures, if we could.

THE COURT: I see. Is it necessary for Mr. Bollo to remain here?

MR WILLIAMS: No.

THE COURT: You may step down.

THE WITNESS: Thank you.

MR. BLUMSTEIN: It concerns the Price Waterhouse Exhibit that was offered yesterday, your Honor. This is the folder of material that was made available to me at the end of the session yesterday. I will be quite frank, I thumbed through it but I did not have a chance to study it with any detail. I'd like to show it to you so you can get some idea of the nature of the material that's in it.

THE COURT: Do you think I might get more out of it? Are these notes -- were these notes on there, in handwriting?

MR. BLUMSTEIN: Oh yes.

THE COURT: They were part of it?

MR. BLUMSTEIN: That exhibit is just as it was given to me. I have not added anything to it.

MR. ABRAMS: Your Honor, perhaps I can help. I'm not going to try to explain that but to tell you what the situation is about documents and Mr. Christopher.

THE COURT: I remember this is ~~217~~ 2 of 17.

MR. ABRAMS: I have more information on that. So I can make some representations if they are of any help. What we produced yesterday, in addition to Mr. Christopher being here in person, was the document which your Honor has in front of him now. That is the entire volume with respect to the most likely results on the two year write-off study. There are seven backup volumes to that. And the rest of the 17 volumes have nothing to do with that subject. We also produced yesterday, a memorandum prepared by Price Waterhouse which deals with the methodology by which the study was prepared.

THE COURT: Is that marked?

MR. ABRAMS: It was not marked. It was handed to Mr. Blumstein and he chose not to mark it. We are prepared to produce tomorrow morning or maybe even later today, the other seven backup volumes. We are prepared to bring Mr. Christopher back Monday and I think that that, in all respect to Mr. Blumstein, ought to be sufficient. We don't think there is any basis for the trial going off or being postponed in any way. I really think that if we bring Mr. Christopher back, we can report that we have produced everything which has anything to do with that particular study which Price Waterhouse made.

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MR. BLUMSTEIN: Your Honor, may I explain the nature of the problem as I see it and what I think an adequate resolution might be.

I am not terribly concerned, if at all, about the mathematical computations that were made by Price Waterhouse. That is, their addition, subtractions and so forth and so on.

I am concerned, however, about the methodology that they used because I learned yesterday that they had used what they described as a random sampling.

I think Mr. Christopher said he or somebody had looked at between 500 to 1,000 cards out of between 50 and 60,000 cards. I am not a statistician. I am not an accountant. I think I could sit there and look at that document all day and not properly appreciate what the methodology was, and could not determine whether there were any defects in the methodology, whether it was adequate, inadequate or whatever. I just couldn't do it.

To do that, I need some help. I'm not even sure that at this stage what kind of help I need. I suppose I need someone who has some experience in statistics.

I want to point out to your Honor the point I made yesterday. Price Waterhouse was not named as a fact witness in this case as someone who would produce evidence on the allegation of the complaint including damages.

This inventory issue involves a claim of damages of some $340,000, which is not peanuts, even in this case where the total amount is $3.1 million. Unless I am given an opportunity to determine the adequacy of the statistical methodology that was used by Price Waterhouse, I think the rights of my client are being gravely prejudiced.

Now, I am not looking to prolong this. I am trying to find out if it's good or not.

The procedure I suggested to Mr. Abrams and Mr. Foster this morning would not involve any delay at all in these proceedings for this reason. I proposed that as soon as this trial was over -- and I'm going to be ready with the rest of my evidence today or tomorrow -- I'm sorry. Today or Monday -- either I or Mr. Radice, perhaps with or without some expert help, would go out to Pittsburgh. I suggest that the procedure of an informal interview with Mr. Christopher because I think things go quicker there when you don't have a reporter present. But I said if they wanted a reporter present, they can have a reporter present. I would like to find out what the methodology was. I would like to have someone there who can help me ask the right questions as to what the methodology was.

Then I can make a very prompt determination o f/whether I will continue to have any objection to the data, whether I need Mr.Christopher back to examine him about it and so forth and so on.

I assume that your Honor is going to request us to submit post-trial briefs in this case. So that is going to be at least a week or ten days or two weeks before you get those briefs. I don't propose to delay that for a moment.

I don't propose anything that I am going to do in Pittsburgh to interfere at all with the conduct of these proceedings. And I am prepared to assume that until such time as I may advise Mr. Abrams that I do have some problems that we are finished. I don't know why that is not acceptable.

MR. ABRAMS: I would like to make two or three comments.

First, I would like to put before the Court a document which I made reference to earlier. This is the memorandum which we made available yesterday to Mr. Blumstein. It deals with the methodology. It is all there is that deals with methodology.

I would like to just pause a moment while your Honor has a chance to look at it.

THE COURT: Well, I can only say that I would think that someone whom you probably are familiar with would be able to advise you whether this was an adequate procedure for reconstructing this as outlined here. I don't understand that you would -- it would be available to you for you to present to someone experienced in random sampling techniques perhaps.

MR. BLUMSTEIN: You may very well be right, your Honor. And I would propose to start off that way. But I've got two problems.

First of all, I've got to find somebody and I can't do two things at one time.

THE COURT: What I am saying, I don't exactly see what Mr. Christopher can add to this.

MR. BLUMSTEIN: Maybe he can't add anything. If I can find someone who can read those figures and that memo and says, yes, that is a fine technique, then I am finished.

I can't answer that question right now. All I am saying is that I will take the memo. I will act very expeditiously to find someone who can answer that question for me. And if I find at that point that I need more help, I would at least like to have the opportunity to come before your Honor and say this is why I need more information and that's why this doesn't answer my question, and then we can proceed from there.

It's just the thought of having to try to answer this by Monday morning, which I think is what Mr. Abrams wants me to do.

THE COURT: Well --

MR. ABRAMS: My proposal is that Mr.Christopher can come and testify and be cross-examined on the basis of his methodology.

Now, I suppose it's true that Mr.Blumstein has always the right to make an application to your Honor to open up the record again. But I must say I think that on the face of this document and from the fact that Mr.Christopher was here and is prepared to be here, that there really ought to be no need.

MR. BLUMSTEIN: Would it be agreeable if Mr. Christopher came back a week from Monday?

MR. WILLIAMS: No, it would not be agreeable.

Your Honor, all that is an issue now is the admissibility of an exhibit. We bring the witnesses here. We have all the back-up papers. If his testimony is worthless, the other side can put on an accountant and say it's worthless.

THE COURT: And that was my view of how one would normally deal with this. If you consider, for example, that random sampling represents an opening, then you may exploit it in an effort to destroy what effect or -- impair what effect this information has.

I think your efforts would be directed to finding someone who would, as I say, advise you now -- of course, you may get advice that ~~there~~ this is a rather ~~unsalable~~ unassailable technique.

MR. BLUMSTEIN: Then I am prepared to drop the matter completely.

THE COURT: I understand you would. But my point is, I would think -- I don't recall whether there was very much left for Mr. Christopher to relate except to state that the exhibit about which he testified was prepared in this way and here's the back-up data and this memorandum.

Well, I would never profess to be an expert on the statistical field. But I can make some sense out of it. And I would think that someone of like qualifications would be the type of person you would be seeking.

MR. BLUMSTEIN: Yes, of course.

THE COURT: You may already have someone like that.

MR. BLUMSTEIN: I do not know anyone.

THE COURT: You do not.

MR. BLUMSTEIN: If it's simply a question of bringing Mr. Christopher back or not bringing him back, I would be prepared to say at this point, all right, don't bring him back unless I can come in and show some specific reason why I need him. But what I do want is the opportunity to have some time, some period of time.

I suggested a week. I hope I can do it in a week, to look at that memo. Not for me to look at it, but to have somebody look at it.

THE COURT: Let me say this. It's perfectly obvious that Mr. Christopher didn't himself I suppose actually generate this back-up data at all. I think--

MR. BLUMSTEIN: I would doubt it.

THE COURT: He testified to that fact.

MR. ABRAMS: That's correct. He was responsible for it, but certainly didn't write it.

MR. WILLIAMS: He said he supervised it. And on cross-examination, which took an hour --

THE COURT: That's right. His value as an expert is simply -- his position in such a well known firm such as Price Waterhouse and his familiarity with the use of this technique, which I suppose must be used over and over again in many, many situations.

I mean that would certainly seem to me as though there was nothing very new about this.

MR. BLUMSTEIN: My problem, quite simply, is my ignorance in this field. And all I want is for you to give me a few days to educate myself so I can make an intelligent decision.

THE COURT: You seem bent on calling that witness back. They are willing to put --

MR. BLUMSTEIN: What I said, your Honor, I was prepared to dispense with that witness.

THE COURT: I thought you said something about you'll need him.

MR. BLUMSTEIN: I am prepared to dispense with that witness subject only to my coming in and making some showing to you as to some specific reason why I need him and why I couldn't do what I had to do when he was here.

THE COURT: I think that was the open end that I was referring to.

MR. BLUMSTEIN: Well, I suppose I could make that application in any event, your Honor.

MR. WILLIAMS: Your Honor, in the orderly

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course of a trial it seems to me the first question is whether the ~~profit~~ proferred exhibit is admissible. On the basis of Mr. Christopher's testimony, which took a half hour on direct and one hour on cross-examination, with all the back-up papers available, it seems to me the Court has enough to rule on the admissibility of the exhibit.

The second ~~exhibit~~ question is how the other side is entitled to contradict or rebut any matter that Mr.Christopher testified to, or the exhibit.

And that it seems to me in the orderly course of trial he can do by calling a witness to refute Mr. Christopher or to contradict the evidence that is submitted.

But as far as delaying the trial or going out to Pittsburgh and conducting some kind of an investigation, that is not anything that I would consent to. And I think it would not be appropriate at this point to do it.

MR.BLUMSTEIN: Your Honor, first of all, the exhibit has been admitted into evidence. The only reservation --

THE COURT: Not yet. I don't think it has.

MR. BLUMSTEIN: It was admitted subject.

THE COURT: Subject.

MR. BLUMSTEIN: Subject.

THE COURT: All right. I think -- the reason I said that, I had marked ID next to it, which I didn't do anything else. I must have done it by force of habit. So it is in evidence. All right.

MR.BLUMSTEIN: Yes.

THE COURT: Subject.

MR. BLUMSTEIN: Yes.

THE COURT: All right.

MR. BLUMSTEIN: If the procedure I suggested about going to Pittsburgh is not acceptable, I am not going to press it. My request is a very simple one. I want the record to remain open for a period of one week from the close of the trial.

I want that memorandum and the back-up data that Mr.Abrams represented is available and is relevant to be made available to me. And I want the right to be able to call a witness of my own to refute Mr. Christopher's testimony and his work product, his exhibit, whatever he did.

MR. WILLIAMS: Your Honor, one of the problems is that I am supposed to leave the country for Japan sometime toward the end of this -- I won't say this week. I would expect to be here next week. But I don't see any reason for postponing the ~~a~~ trial.

He's got three days.

MR. BLUMSTEIN: I'm not asking to postpone a trial. Please.

MR. WILLIAMS: But you are suggesting that we continue testimony for another week.

THE COURT: Well, I suppose what he is really saying is that such evidence as is now ready to be presented would be received and would in effect be the closing evidence in the case.

But in order, as he says, to have time to study this first, I guess to even have time to decide whether he has any prospect of countervailing expert let's say, on this subject, he would like to have a week in which to be able to, let's say, schedule a tag in hearing on the matter.

I don't want to force you into a position that seems not to be in order, but we are after all in a non-Jury situation here.

It doesn't make any difference to me. But if -- if, for example, you|re going to be unavailable, I would take it into consideration naturally. I do agree in all probability it would be helpful to the court not necessarily to require you to write an elaborate post-trial briefs, because each side submitted comprehensive preliminary pre-trial briefs.

My own feeling would be a set of proposed findings on each side perhaps would be helpful, focusing on what each of you believe the evidence does or does not establish. That would take some time.

MR. WILLIAMS: Mr. Abrams suggested something that I think probably is agreeable. If we could close the trial, say, at the end of Monday when we are finished with our witnesses --

You are finished with your witnesses -- subject to being reopened --

THE COURT: If you so --

MR. WILLIAMS: If you so desire.

MR. BLUMSTEIN: Sure, I don't care what the form of it is as long as I have that opportunity.

THE COURT: The understanding is this. If you feel that it is essential to the presentation of your defense to introduce some additional evidence on the question of the reliability or credibility, what have you, of the exhibit, then you will have that opportunity.

MR. BLUMSTEIN: All right. That is perfectly satisfactory, your Honor.

I have the greatest respect for Price Waterhouse. And this may turn out to be absolutely nothing. But I just don't know. That's my problem.

MR. ABRAMS: May I request, in light of the amount of time that that took, that document --

THE COURT: That you want to extend the lunch hour to 2:15.

MR. WILLIAMS: That is a good point.

MR. ABRAMS: I am always persuaded by that.

THE COURT: All right.

MR. ABRAMS: I would like to mark this as Plaintiff's Exhibit 31 for identification and seek its admission.

THE COURT: All right. I think that is the next order. All right.

THE CLERK: Plaintiff's Exhibit Number 31 for identification --

MR. WILLIAMS: And offered in evidence.

MR. BLUMSTEIN: May I see it for a moment.

I have not objection to it going into evidence, your Honor.

THE COURT: All right.

MR. BLUMSTEIN: Could I have a commitment from Mr. Abrams on the record as to when I can get the balance of the folders that are relevant to the project.

THE COURT: Apparently this has been marked for identification.

MR. BLUMSTEIN: Yes, it has.

MR. ABRAMS: We will have the other seven volumes to you tomorrow.

THE COURT: All right.

THE CLERK: So marked in evidence.

THE COURT: All right, I will see you about 2:15. When you are ready I will come out.

MR. BLUMSTEIN: Thank you, your Honor.

(Luncheon recess taken.)

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AFTERNOON SESSION

THE COURT: You may proceed.

MR. BLUMSTEIN: Thank you, your Honor.

BY MR. BLUMSTEIN:

Q Mr. Bollo, I want to turn to the subject now of Standard's relationship with the Whittaker Corporation.

A Yes.

Q And my first question to you is, what kind of product did Whittaker manufacture?

A They make a series of valves. They are used on jet engines that divert primarily air into different parts of the engine and into the aircraft itself.

Q When did the relationship between Whittaker and Standard commence, what year?

A I believe it started in 1958 or 1959.

Q Now, you were in court yesterday when your brother Jerome Bollo testified about the early years of that relationship and I refer in particular to the -- to his testimony about the original contract and scope, the 1963 cancellation and reinstatement and the agreement thereafter.

A Right.

Q And you heard his testimony?

A I did.

Q And was that testimony, to the best of your recollection a substantially accurate recitation of the facts as you recall them?

A My brother's -- Jerry's testimony as of yesterday, oh, yes, I believe it was.

Q Yes.

Is there anything that you want to add to that testimony concerning those years?

A No, not really.

MR. BLUMSTEIN: Your Honor, I have three documents I would like to deal with at this time. They are the three contracts between Whittaker and Standard. One is dated in 1959. One in 1963 and one in 1967.

If Mr. Williams has no objection, I just would like to offer them in evidence directly rather than take the time to have Mr. Bollo identify each one of them.

There has been a stipulation as to authenticity.

MR. WILLIAMS: I have no objection.

THE CLERK; All right.

MR. BLUMSTEIN: The first one is the

July 17, 1959 agreement.

THE CLERK: July 17, 1959, marked as Defendant's Exhibit W.

xx (So marked.)

MR. BLUMSTEIN: The next one is the October 1, 1963 agreement.

THE CLERK: October 1, 1963 agreement marked Defendant's Exhibit X in evidence.

x (So marked.)

MR. BLUMSTEIN: And the last one is the April 3, 1967 agreement.

THE CLERK: So marked as Defendant's Exhibit Y in evidence.

xx (So marked.)

THE CLERK: These are three copies for the Judge.

MR. BLUMSTEIN: Three copies, yes.

BY MR. BLUMSTEIN:

Q Mr. Bollo, have you ever heard of the Aircraft Components Division of Whittaker?

A Yes, I have.

Q When was that division set up?

A It seemed to me it was in 1967.

Q And what was the business activity in

which that division engaged?

A They engaged in the distribution of Whittaker control units and parts in the western portion of the United States.

Q Prior to that time, had Whittaker undertaken the distribution of its parts directly in that portion of the United States?

A Yes.

Q Did there come a time when Standard opened a Los Angeles branch office?

A Yes. Standard offered an -- opened our Los Angeles branch at about the same time. ~~II --~~ I think it was 1966. But we did open a branch at about that time.

Q Did that branch distribute Whittaker parts?

A It did, after -- I think after 1967, when we were given the entire United States.

Q Do you know who Glenn Danks is?

A Yes, I do.

Q Who is he, sir?

A He was the manager of Aircraft Components.

Q In 1966?

A At that time, yes.

Q To the best of your knowledge, did Mr. Danks have any views concerning the use by Whittaker of Standard as a distributor?

A Definitely --

Q Views?

A Use?

Q Views, views, opinions?

A Views, yes, he did.

Q What were those opinions?

A He was anti-Standard Aircraft.

Q You mean, he was opposed to using Standard's?

A Opposed to Standard as a distributor. It was his hope that he could take over ~~out~~ our territory, which was the eastern half of the United States at that time. Later on, it became the entire United States.

Q I want to show you two documents that have already been received in evidence, Plaintiff's Exhibit 12 and Plaintiff's Exhibit 13 and ask you, sir, if you have seen these documents before?

A Yes, I have.

Q Looking at 12, first --

A 12, first.

Q -- can you tell me, if you recall, approximately when you saw that document for the first time?

A No, I can't tell you exactly but I would assume the -- the document is dated January 6, 1967 and I would assume that it was sometime after that. How long after it, I don't really recall.

Q Well --

A Couldn't have been too long.

Q Couldn't have been too long?

A No.

Q What about 13?

A 13 is a -- carries a date of July 8, 1967. It would be the same on that. I probably saw it at about the same -- shortly thereafter. After those dates but to pinpoint it exactly, I can't do it at this point in time.

Q Now, both of these documents deal with the question of the continuation of the Standard distributorship for Whittaker Products; is that correct?

A May I see them again, please?

Q Sure.

A I can't make the one out at all, the typing or anything on it.

THE COURT: Let me see. Which one are you looking at?

THE WITNESS: I'm looking at 12.

THE COURT: 12.

MR. BLUMSTEIN: That's the one, your Honor, where we have the typed copy.

MR. WILLIAMS: We have given it to them.

MR. BLUMSTEIN: We have it. I'll show it to him.

THE COURT: All right.

THE WITNESS: One is an interoffice memo.

BY MR. BLUMSTEIN:

Q I'm not asking you to describe the documents.

MR. BLUMSTEIN: Could you read back my last question, please.

(Record read.)

A Deal with the continuation?

Q That was my question.

A No, they don't.

Q All right.

How about if I said to you they deal with the possible cancellation?

A They deal with the discontinuance, the proposed discontinuance of the thing by Mr. Glen Danks.

Q Let me leave these with your e for a moment.

A All right.

Q Did you ever discuss the contents of those two documents with your brother Jerome Bollo?

A I'm sure I did. Oh, yes.

Q Can you tell me when in point of time, if you recall, you had those discussions?

A No, I can't tell you in point of time, other than it would have to be sometime,naturally, after the dating of them.

How soon after, I don't really know. But it was -- this is a guess -- maybe within 30 days of these because these were not directed to us.

Q Now, my next question is, would you please tell me, as best you recall it, the substance of those discussions? What did he say, what did you say?

A My brother Jerome was concerned about them. Moreso, I believe, than I was. This is a request by -- can I tell you what it is or don't you want to know?

Q No. I just want the conversation. That's all I'm interested in.

A Well, the conversation would be, in the case of my brother, that here is somebody trying to take this thing away and maybe he's getting into more power in the company and could do it. As of the time, he did not have power.

Q Who is the "he" that you are referring to?

A Danks, the writer of these.

Q Yes. And what was your response to this expression of concern?

A My feeling is, there is nothing we can do about it. This -- this is not the first time that he had ~~had~~ said something like this. The first time in writing, but we knew that this is what he would love to have.

Q Anything else about those discussions that you recall?

A No. That covers it.

Q Do you recall whether, with respect to those two memoranda, you ever took any action of any kind?

A What action could you take? No. The answer is no.

Q Okay.

MR. BLUMSTEIN: May I have this marked, please?

THE CLERK: Sure.

A two-page document marked as Defendant's Exhibit Z.

xxx (So marked.)

MR. BLUMSTEIN: Could you mark this one, too, please.

THE CLERK: Yes. All right. A one-page document marked for identification as Defendant's Exhibit AA. xx

(So marked.)

BY MR. BLUMSTEIN:

Q Let me first show you Defendant's Exhibit Z and ask you if you can identify it, please?

A Yes, I do.

Q What is it, sir?

A This is a copy of a letter that I wrote to Whittaker.

Q What's the date of it?

A January 4, 1968.

Q Now, would you take a look at Defendant's AA, please? And see if you can identify that?

A This is a Whittaker reply to my letter of January 4th.

Q Having looked at these two letters, can you in general terms and briefly tell me what you were discussing in these two letters with Whittaker?

A Our Whittaker contract precluded our purchase of surplus inventory on the market. And I had written in our letter of June the 4th -- of January the 4th, 1968 to Mr. Fred Space asking for their permission to purchase surplus material on the open market, purchase surplus material of Whittaker Manufacture on the open market for their account and for ours. That was my request.

Q What happened to your request?

A Negative. They said can't.

MR. BLUMSTEIN: Negative. I'd like to offer these two documents into evidence.

MR. WILLIAMS: No objection.

THE CLERK: Defendant's Exhibits Z and AA now both marked in evidence.

xx (So marked.)

BY MR. BLUMSTEIN:

Q All right.

Now, again in connection with Whittaker, let me show you a document that has been admitted into evidence as Plaintiff's Exhibit 14.

Would you tell me, sir, whether you have ever seen that document before?

A No, I don't believe I ever have.

Q Would you look at paragraph 2 of that document?

A Yes.

Q Read it to yourself, please.

A Yes.

Q Do you have any recollection of ever discussing the subject matter of what is referred to in paragraph 2 with your brother Jerry Bollo?

A Yes, I do.

Q I'll come back to that in a moment but I want to show you one other document first.

A All right.

Q There has also been received in evidence as Plaintiff's Exhibit 15, a document. Have you seen that document before?

A Yes, I have.

Q Can you tell me, to the best of your recollection, when it was that you first saw that document?

A Well, this is a TWX dated dated 2/6/69.

Here again, I can't remember the date but my thinking would be, following normal procedure, that I would have gotten it -- it was addressed to Jerry Bollo, the same day or the day after.

Q Let me ask you this: Did you have any discussions concerning the contents of that telex or TWX with Jerry Bollo?

A Oh, definitely, I would, sure.

Q All right.

Now, can you tell me, sir, to the best of your recollection, what those discussions were, what did he say to you and what did you say to him?

A May I have it back to look at, please?

Q Sure.

A You are talking just about this one now? That was your question?

Q Yes.

A On this.

Q Yes.

A This wire told us that it was their intent, "their" being the Whittaker's intent, to supply the airlines with initial provisioning on the 747. We had looked forward to that business in future planning, if you will, to add to our other Whittaker business.

Now, what was said to --

Q The conversation between yourself and your brother concerning that telex?

A I can't remember the conversation word for word but basically it would have centered around the fact that they tell us here that we are not going to be providing the initial provisioning and that was a serious thing.

Q Now, to the best of your recollection, at any time prior to September 18, 1969, did you advise anyone at the first Grant or Pittsburgh Coke concerning the contents of that telex?

A Yes, I'm pretty sure I did.

Q Whom do you think you might have spoken to?

A It's a hard question to answer, whoever -- if -- if Mr. Johnston was in, it would have been him. Or if I was out at Pittsburgh Coke, it could have been Mr. McDowell. But I don't know who it was but they were informed.

Q Do you recall when you might have told someone at Pittsburgh Coke about the contents of that telex?

A I don't recall when, but the -- the sequence of things would be that it would be sometime after the receipt of that and it could be up to as long as ten days, two weeks after the receipt of the wire.

Q After the receipt of that wire, did Standard continue to do business with Whittaker?

A Oh, yes,we did.

Q To your knowledge, did any of that business concern parts for 747 aircraft?

A Of the business we continued to do?

Q Correct.

A It's possible.

Where there was commonality of parts.

Q Could you explain to me what you mean, that it's possible where there was a commonality of parts?

A Commonality of parts?

Q Yes.

A Each valve has roller bearings in it. In them. And it's just possible that the roller bearings in the unit on a 707 could be the same as a roller bearing in the 747. There is no reason why somebody couldn't have ordered under a bearing part number and we would have supplied it.

Q But you know -- you have no way of knowing one way or the other on that subject? It's possible, is that what your testimony is?

A It's very possible. Anything that was common.

Q All right.

Now, I'd like to show you another document that's been received in evidence, Plaintiff's Exhibit 10. It's a memorandum prepared by Mr. Johnston concerning a meeting on December 27, 1968 with yourself and with Mr. Orrin Leach. I'd like you to look at it and direct your attention to the last full paragraph on the first page.

A Yes.

Q Now, my first question is, do you recall that meeting on September 27?

A I recall a meeting with Mr. Richard Johnston, Mr. Orrin Leach.

Q I'm sorry. I'm sorry. The meeting was on September 25. The memorandum is dated --

A I say, I recall it. He mentions it as being September the 25th. I have no reason to doubt that that was the day.

Q All right.

Now, again directing your attention to that last full paragraph on the first page, to the best of your recollection, are there any statements contained in that paragraph which do not accurately represent what you told Mr. Johnston on that day?

A More than one.

Q Well, could you tell us what they are?

A Well, the first thing I see, "Standard remains exclusive distributor and Lou sees no change in the situation." We were never exclusive distributor. We were the only distributor other than the factory themselves, but exclusive, no. Standard has never to my knowledge had an exclusive contract.

Q Anything else?

A There was something else in here. Wait until I pick it out, if you will, please.

Q Yes.

A Standard has been assigned as the fourth distributor for General Aviation radios manufactured by Bendix. We were never assigned the distributorship by Bendix on Bendix radios.

(continued next page.)

JB flws

JB:BD
2/1 pm

Bollo-direct

Q Bendix Radio.

Well, had you negotiated with Bendix Radio?

A Yes. I had about that time. I was negotiating to try to get the distributorship. I went to their plant in Fort Lauderdale, Florida, talked with them. This is here probably this million dollar thing comes in. But they never said you could have it. It was held in abeyance. Worked for it. I think I had to go back a second time and still did not get an affirmative answer on the thing. So we never did -- we never did get the distributorship.

Q All right. Is there any other respect in which there may be some inaccuracies in that paragraph?

A Yes.

Q What is that, sir?

A Included among the parties are wheels and brakes, all electrical systems, the autopilot and 50 percent of the intrumentation.

Q What part of that is not accurate?

A Autopilot.

MR. WILLIAMS: I am sorry, I missed that.

MR. BLUMSTEIN: Autopilot.

THE WITNESS: Autopilot.

Q That is to say, Bendix did not have the

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2 autopilot for 747?

A By that time they had lost out on it.

Q They had lost out on it?

A Sure.

Q Do you recall when you first learned that Bendix had lost out on the autopilot?

A No. I can't pinpoint the date. '68. It would have been very early in that year. '68 or late '67.

MR. BLUMSTEIN: May I have this marked, please?

THE CLERK: Two-page document marked for identification as Defendant's Exhibit BB.

Q Let me show you Defendant's Exhibit BB for identification and ask you if you can identify it, please.

A Yes. This is a letter to -- not to -- but from Eclipse Pioneer to Standard Aircraft, attention to my brother Jerry.

Q Eclipse Pioneer, by the way, is Navigation and Controls now?

A Yes.

Q Addressed to whom?

A My brother Jerry.

Q Do you recall that you saw a copy of this letter shortly after it was received?

A Yes, I would have seen a copy of it.

Q Will you direct your attention to the first sentence of the second paragraph?

A Yes.

Q Now, does that refresh your recollection as to when you might have first learned of the loss of the autopilot?

A Well, this is what I just said before, that we did not get the autopilot. And the -- it's dated -- which is what you asked originally, March 15, 1967. I had said the end of the year. I missed out by a couple of months.

Q All right.

MR. BLUMSTEIN: I will offer this in evidence.

MR. WILLIAMS: No objection.

THE CLERK: This letter is dated March 15, 1967, now marked in evidence. That's Defendant's Exhibit BB previously marked for identification is now marked in evidence.

Q By the way, Mr. Bollo, prior to September 18, 1969, did anyone at First Grant or Pittsburgh Coke ever direct a request to you to see any of your distributorship contracts?

A Not prior to, no.

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Q To your knowledge, was such a request made to anyone else at Standard?

A To the best of my knowledge, nobody got the request.

Q On that question I next want to show you a document that has been previously marked in evidence as PX-17, letter dated April 1, 1968, from Navigation and Controls Division addressed to Mr. J. Bollo.

A Do you want me to read it all?

Q Excuse me?

A You just directed my attention to it or do you want me to read it?

Q From looking at it, do you know whether you have seen that letter before?

A Yes.

Q When do you think you saw it?

A About the time that it came in roughly. Shortly thereafter.

Q I would like to direct your attention to the last full paragraph on the first page and the first two paragraphs on the second page.

All right. Now, my first question to you is, to the best of your recollection, effective May 1, 1968, was the Bendix Navigation and Controls Division discount

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L. Bollo-direct

rate on commercial end items reduced to the extent set forth in the letter?

A Yes. This is what it says here.

Q Can you tell me what the expression, commercial end item means?

A Yes. A commercial end item is a unit used commercially as compared with a unit used for the military. We are talking here commercial, but this would be a unit.

Q And that would be a unit.

Now, prior to this time, had there been any distinction in terms of Navigation and Controls Division concerning the discount rates for units or end items as opposed to spare parts?

A If I am not mistaken, there were three division discounts on units, depending on the type of unit. Spare parts remained the same, flat discount on all spare parts.

THE COURT: All right. Let me see if I am clear on that.

Are you saying that this revision of discount schedule did not affect spare parts?

THE WITNESS: That's the way I read it. Yes sir.

THE COURT: Well, was that so?

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THE WITNESS: That is so.

Q Could you take a look at the schedule which is attached to that letter?

A Yes. A list of units.

Q Let me ask you this question. In your experience at Standard Aircraft prior to 1968, had there ever been an occasion when Bendix Navigation and Controls Division had reduced its discount rate at or about the time when a new airplane was coming in for the market?

A Yes, they have.

Q When did that happen?

A That happened on the introduction of the 707, for one. You say when?

Q Approximately when.

A 1957. In that area.

Q What is your recollection of what happened at that time?

A The discount rate on units was reduced more or less in the same manner as they are talking about reducing them in this thing that you showed me.

Q What is your understanding as to the business reason that existed for Bendix reduction of the discount rates in connection with the 707?

A Because of the competitive factor Bendix

7 had to reduce the price to get their product on the airplane.

Q Do you mean their price to the manufacturer?

A To the manufacturer.

Q The manufacturer of the airplane?

A Yes. When that happened they reduced the price to the distributor on initial provisioning in order to recapture some of that profit which they had lost.

THE COURT: You mean that when you say had to reduce the price to the distributor --

THE WITNESS: Did I say distributor?

THE COURT: That's what I thought you said.

THE WITNESS: I am very sorry. The price to the manufacturer.

MR. BLUMSTEIN: Your Honor, I think there is some confusion.

THE WITNESS: There is something wrong there.

Q Let's go back.

A All right.

Q You talked about a competitive situation.

A Right.

Q And what was the consequence of that competitive situation for Bendix in terms of getting onto the airplane?

A They had to reduce their price to the

manufacturer of the airplane.

Q How does that relate to their reduction of the discount rate to you as a distributor?

A They reduced the distributor discount on the same items on the initial order or the initial provisioning from the airlines. Thereby recapturing some of the money they had to give away to get on.

Q Now, in connection with the 707, did there come a time when the discount rate was changed again?

A It came back after the -- back to normal after the initial provisioning, yes.

Q Now, you said 707 for one. Was there another instance in which something similar happened?

A Yes. I think that happened on the BAC 111 as well.

Q What is the BAC?

A BAC is the British Aircraft Corporation 111 airplane. And that came out with an autopilot of the Eclipse Pioneer design which was supposed to be manufactured by Elliott Brothers of England. And they could not get into production fast enough. They had a lot of trouble. So Eclipse sold the first units to the air~~plane~~lines in this country at least that bought those airplanes. As I recall, if I am correct on that, it was a similar

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situation to the 707.

Q Do you mean the discount rate went down and came back?

A Down and up, right.

Q Now, to the best or your recollection, did you ever report to anyone at First Grant or Pittsburgh Coke the reduction in the discount rates which is discussed in that letter?

A On the letter you just gave me?

Q Yes.

A Yes. They were kept informed.

Q Well, do you know who you might have discussed it with?

A No. I don't really recall, but it had to be one of three. The logical person would be Mr. McDowell or Mr. Johnston. The third one of course could be somebody in their office in Pittsburgh.

To answer your question, who, I can't remember exactly who it was.

Q What about the time when you may have made this report?

A Well, that I can't pinpoint either. But shortly after receipt of the letter, I would say maybe two weeks, three weeks, maybe at the outside. E

Q All right. Now, let me show you a document which has been marked as Plaintiff's Exhibit 20 in evidence, a letter dated October 30, 1968, addressed to you from Bendix Energy Controls Division.

A Yes.

Q I take it you had seen that letter before?

A Yes, I have. It was addressed to me.

Q Would you direct yourself to paragraph 2 which reads, purchase orders dated December 31, 1968. Reflects the discount of list less 54 percent for rotors, stators and liners.

What percentage of the Energy Controls Division sales made by Standard consisted of rotors, stators and liners?

A They were the -- these three items were the fast-moving items in brake parts.

Q Now, can you tell me, sir, if you recall, whether you advised anyone at First Grant or Pittsburgh Coke concerning the discount change which is reflected in the letter which you have before you.

A Yes, I think I did.

MR. WILLIAMS: What was the answer?

THE WITNESS: Yes, I think I did.

Q Now, do you reall who you so advised?

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A Oh, I think this was at that meeting in Pittsburgh.

Q My question was, who did you tell.

A I don't know. I met with twelve people from Pittsburgh Coke. I don't know who it would have been.

Q Well, the twelve people that you met at the meeting, were they people that you had dealt with before?

A Yes.

Q Was Mr. Johnston there?

A It could have been Mr. Johnston, Mr. McDowell, Mr. Adams.

Q When was this meeting, by the way, to the best of your recollection?

A This was dated October. Sometime after that, whenever it was that I went out. And I don't remember the exact date.

Q Now, I want to direct your atttention to an exhibit which has been marked Plaintiff's Exhibit 23 in evidence. It's a letter dated April 11, 1969, to you from Louis D. Young of the Bendix Corporation.

I take it you have seen that letter before, too?

A Yes, I have.

Q Now, this is a letter which advises you concerning what Bendix will be doing in Navigation and Control~~s~~ Division -- what it would be doing with respect to the ~~Bendix~~ Boeing 747 and the Douglas DC-10, right?

A Yes.

Q And now, my question to you is, did you ever advise anyone in Pittsburgh Coke or First Grant concerning the contents of this letter?

MR. WILLIAMS: Did the witness shake his head?

THE WITNESS: I am looking at it. I haven't given an answer.

MR. WILLIAMS: I am sorry. I thought you shook your head.

MR. BLUMSTEIN: Which way did he shake it?

MR. WILLIAMS: Negative. That's why I asked.

MR. FOSTER: He was reading across.

THE WITNESS: Yes, I think they were informed on this, too.

MR. WILLIAMS: I am sorry.

THE WITNESS: I think they were informed on this, too, the contents.

Q Do you have any recollection as to who or when?

A Not really who or when. Probably at the meeting in Pittsburgh. But I am not sure.

Q Well --

MR. WILLIAMS: Excuse me, your Honor. Your Honor is aware that I can move to strike these answers, but I let them stand. I think I will let them stand and inquire on cross.

Q All right. Now, I next --

MR. BLUMSTEIN: Well, let me mark it for identification.

THE CLERK: One-page document marked for identification as Defendant's Exhibit CC.

THE COURT: Are we switching signals? After all we were going AA, AB --

THE CLERK: No, your Honor.

THE COURT: Is this CC?

THE CLERK: Yes. This is CC because you already have the other. We are going in alphabetical order unless you want to change it.

MR. ~~POSTER~~ RADICE: We won't get to the triple letters.

MR. BLUMSTEIN: I guarantee that, your Honor.

THE COURT: All right. As long as I am consistent it doesn't matter. It's just switching from one signal to another that I get confused.

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Q Now, let me show you Defendant's Exhibit CC for identification and ask you if you can identify that, please.

A Yes, I can.

Q Would you tell us what it is?

A That's a memorandum put out by me to most of our sales personnel.

Q It's dated May 15, 1969?

A Yes, it is.

Q Now, can you tell us, sir, if you recall, what it was that stimulated you to write this memorandum?

A This had to do with -- as a result of the discontinuance of distributor participation in furnishing units on 747's and DC--10's. I believe all others -- no, it was no other because we had this here. This was a reduction -- let me get this straight.

This was a reduction in discount that they brought about some four or five or six months before this. And we -- Standard did not sell very many units. And for our people to invest money in the units that would fit the 707, Lockheed 1049 and so forth at 2 1/2 percent discount and put them in stock would not make much sense. So I instructed these people not to do it.

We had a money situation that -- it was too

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much money tied in inventory for so little profit.

(Continued next page.)

MR. BLUMSTEIN: I will offer this in evidence.

MR. WILLIAMS: No objection.

THE COURT: May I inquire, would you be upset if he had -- if he handed me a copy when he originally gets them marked, as I think you did --

MR. WILLIAMS: Of course not. I think the --

THE COURT: It's a little better to appreciate what the witnesses' answers are.

MR. BLUMSTEIN: I see.

THE COURT: I realize technically they are not in evidence until offered in evidence. But in this case since --

MR. BLUMSTEIN: I've got the extra copies. I have just been waiting for --

THE COURT: I know you have. And it gives me a chance to keep up with the witness' answers.

THE CLERK: Defendant's Exhibit CC now marked in Evidence.

Q Now, I want to direct your attention to a document that already is in evidence, Plaintiff's Exhibit 8. It's a memorandum from P.B. McDowell referring to a meeting at Standard on May 19, 1969. And I'd like you to look at page 2, the paragraph that begins at the bottom of the page, quotes, "Jerry Bollo who heads up Sales." Read that paragraph and the next full paragraph, please.

A The paragraph that begins with "Jerry Bollo --"

Q Correct.

A (Continuing) "who heads up Sales."

Q Have you finished?

A Yes, I am.

Q Now, with respect to that first full paragraph which refers to Jerry Bollo and his semi-annual visit to Europe, do you recall a discussion at that meeting of the matter contained in that paragraph?

A Do I what? Would you rephrase that.

Q Well, I want to know if you remember the discussion that was had at this meeting concerning the subject that is discussed in that paragraph.

A Yes, I do. Yes, surely.

Q Could you give me your understanding of what the project was that Jerry Bollo was working on.

A There were two consortiums set up in Europe of a few airlines each for the purpose of consolidating equipment, repair, handling material and so forth.

Q Right.

A And one of them was the Atlas Group, which was Sabena, Lufthansa, Air France and -- no. That's right. It was ~~Al Italia~~ Alitalia. The Atlas Group.

Jerry Bollo went over that with a view in mind of -- among other things, trying to get wheel and brake replacement parts business. And I don't think he made it in the first one. I think they came over here. We discussed it -- not we, but Standard. Jerry Bollo only -- discussed that here. Then he went over to Europe. And I think it was twice on that. But we got to the point where Sabena was willing to give us the business.

As I recall it, the big problem started with -- they wanted us to keep an inventory in Europe. We didn't feel we could do this. But we did agree to keep an inventory in Garden City, New York.

Some of the airlines involved in here were the 880 Corvairs for which we never sold a wheel and brake part because they were in -- they were never used in our country or in our portion of the country.

We got close enough that my brother Jerry asked me to go to Pittsburgh Coke. I recognize the fact that we would have to have had money to put in inventory to handle this business. And I telephoned McDowell, asking for the money to do it, explaining the situation.

I think he sent somebody in. I am not sure. I will have to go over the figures and so forth. But, anyway, the answer was, no. We didn't.

Q In point of time, when did this conversation with McDowell take place?

A Point of time when did it take place? Which portion? Do you mean when we asked for the money?

Q Yes. The request for the money.

A What was the date on this? This had to do with his attending a meeting of ours on May 9th. I can't pinpoint it, but I would say probably two months after the meeting.

Q Now, would you look at the next paragraph, the one that begins with the phrase, "someone in the meeting estimated."

A Yes.

Q Do you recall whether the statements referred to in that paragraph were made at this meeting?

A I recall that something along those lines did come up in the meeting along with many other things.

Q What do you mean by "something along those lines"?

A Talking about the 747 airplane and the amount of business that was available that could be had.

Q Well, were you the "someone in the meeting" who made the estimate that is referred to there?

A I don't recall whether I did or not.

Q Do you recall whether it was somebody else?

A No, I really don't know who made it.

Q Mr. Bollo, I want to turn to the subject of some business activities that Standard in the years 1968 and '69, which I do not think have previously been referred to in this case.

Now, first of all, in connection with the 747 airplane, do you know whether Bendix Electric Power -- that is, Red Bank, got any parts onto the plane?

A Oh, yes, they did.

Q Can you tell me what parts they did get onto the plane?

A They got a generator system on each engine. There were of course four engines. And that would be the generator and the various regulators and controls and safety devices that go into a generator system.

Q What was the cost of that equipment?

A Seems to me it was in the area of about $8,000 per airplane.

Q To your knowledge, had Bendix Electric Power, Red Bank, let's say, within the ten preceding years been successful in getting any of its generators onto new airplanes?

A Not commercial airplanes, no.

Q Not commercial.

A They were on military, not commercial.

Q This was the first one in ten years?

A First airplane -- type of airplane that they had any equipment or any generator equipment at least in a good ten years.

Q All right. Now, in 1968 and 1969, did Standard Aircraft do any supplying of units or spare parts in connection with this generator for Bendix Electric Power, Red Bank?

A Yes, we did.

Q Do you have any idea what the size of that business was?

A It was pretty large. I don't know exactly what the size was in terms of dollars, but it got off to a very good start.

Q Now, let me ask you whether you know that the -- whether or not the Electrodynamics Division of Bendix had any parts on the 747.

A Yes, they did. That was a form of Pacific Division. And they were successful in getting two actuators on -- I am sorry, two actuators on each side, four total, on the airplane.

What was your question then? You wanted to know if they got them on? Yes.

Q What was the cost there per plane?

A I don't remember exactly what the cost -- to me it was in the neighborhood of just under a thousand dollars each or in that area. But I am not sure of the price.

THE COURT: Do you mean a thousand dollars --

THE WITNESS: Each.

THE COURT: Per plane or per actuator?

THE WITNESS: No, per actuator.

THE COURT: So it would be $4,000?

THE WITNESS: $4,000, right.

Q Now, did Standard do any business in connection with that particular product?

A I think we gave quotations out, literature out. I think we may have gotten a couple of orders, but I don't think we ever got to the point where we delivered anything.

Q What about the Flight Engine Division of Bendix? To your knowledge, did that division get any item on the 747?

A May I check that?

Q Sure.

A Yes. Flight Engine Division is Montrose.

THE COURT: Is that Bendix Montrose?

THE WITNESS: A division of Bendix, yes.

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Yes, they had one or two items on board the 747, but it was not big business.

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(Continued on next page.)

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DIRECT EXAMINATION

BY MR. BLUMSTEIN: (Cont.)

Q But you did some of that business?

A Yes.

Q What about the Bendix Instrument and L/ife Support Division, to your knowledge, did it get any items on the 747?

A Pioneer Central, I think that was, right? Instrument and Life Support, Pioneer Central, yes. They have two instruments, which were the same instruments that were on the 747, the DC-10, almost every airplane had them, including 747. Kind of a standby situation.

Q You did business with Bendix Instrument & Life Support Division?

A We did business with them, yes.

Q All right.

I want to direct your attention now to Narco Radio. My first question is: Prior to the spring of 1969, had Narco Radio been a supplier whose product Standard distributed?

A Prior to when?

Q The spring of 1969.

A No, they were not a supplier of ours.

Q Did they have some other distributor?

A Yes.

Q Who was that?

A In the New York area?

Q Yes.

A Air Work Corp. of New Jersey.

Q Did there come a time in 1969 when Standard began distributing Narco Radio products?

A Yes.

Q What product did Narco Radio have?

A They had a whole series of radios, transmitters and some instruments and so forth that were in the radio field, that were sold to the general aviation field.

Q I see.

How did it come about that Standard got that distributorship, what were the circumstances?

A Air Work, that I just mentioned, ~~were~~ was their distributor and Narco ~~were~~ was very pleased with the job that Air Work was doing.

But Purex Corporation acquired Pacific Airmotive on the west coast, which was a Bendix radio distributor and acquired Air Work Corporation and merged the two and as I had told you before, the P AC was the senior surviving management group of the distribution set up and they said, you're going -- they said to Air Work, you're going to have to carry Bendix.

Narco would not have any of it. So they selected us to take over their line.

Q And you commenced selling their products when?

A 1969.

Q When in 1969?

A Mid-'69, I believe.

Q All right.

MR. BLUMSTEIN: May I have this marked, please.

THE CLERK: Yes.

Do you have a copy for the Judge?

MR. BLUMSTEIN: Yes, I do.

THE CLERK: A four-page document marked for identification as Defendant Exhibit DD.

xx (So marked.)

BY MR. BLUMSTEIN:

Q Let me show you Defendant's Exhibit DD for identification and ask you if you can identify it, please?

A Yes. This is a copy of the wholesale - distributor agreement between Narco Scientific Industries, which is what we were talking about, Narco Radio, it's one and the same thing, and Standard Aircraft Equipment Company.

Q That agreement is dated October 10?

A October 30th of '69.

Q October 30th of '69?

A Yes.

Q But my question to you is, had you in fact commenced selling the Narco line before that contract was executed?

A Had we commenced selling it? We had commenced buying it, ordering it. We had -- I had sent 14 or 15 people to Narco's school and -- for training, sales training and so forth and this was -- this piece of paper was promised to us.

It was just a little late in getting it into our hands. That was all.

MR. BLUMSTEIN: I'll offer it in evidence.

RM. WILLIAMS: Your Honor, I object to the introduction of this exhibit. In the first place, it was -- is dated October 30th, 1969, which is several days after the closing in this case, which took place on September 18, 1969. It is irrelevant, not only for that reason , but I think also the subject matter of it is irrelevant. I assume that counsel is trying to show that they were getting other business after the loss of the Whittaker and Bendix business and I think this is the point at which I should offer objection to any evidence along this line.

MR. BLUMSTEIN: Well, that is precisely the point, your Honor. The warranty that -- which is being sued upon in this case was not a warranty with respect to any particular customer. It was a warranty with respect to the financial condition and the business and operations of Standard.

What I am trying to do is to present to the Court the complete and total picture of those business operations.

Now, insofar as the date of the contract is concerned, to be sure it is October 30th, 1969, but we have the witness' testimony as to when the contract was negotiated and as to what was going on before September 18, 1969.

THE COURT: Is it your intention to offer more of this character?

MR. BLUMSTEIN: I think this is the only document that I have left. I have -- I'm sorry. I have two other contracts but they've already been referred to in documents that are in evidence.

THE COURT: You mean, of new business, though?

MR. BLUMSTEIN: Correct.

THE COURT: After the closing?

MR. BLUMSTEIN: At or about the time of the closing. I think one was before. One was negotiated before, signed after.

MR. WILLIAMS: Your Honor, the warranty in the contract relates to the business and the financial condition of the company as of the date of the closing.

What transpired after that is something else. The business could have failed. The business could have succeeded. Anything could have happened and it wouldn't have made any difference as to whether the warranty was violated or the -- there was a breach of contract or there was a violation of 10(b)5.

It all relates to the period prior to September 18, 1969.

THE COURT: Well, --

MR. WILLIAMS: I did not object to --

THE COURT: I would have to say this. The nature -- the warranty, that the representation of business condition is clear in this sense, that we warrant this as a going viable business. I know your contention is that what was of interest to your purchaser were business -- assumed established business relationships with large corporations such as Bendix and perhaps Whittaker, too.

But the other side takes the position that it wasn't any particular distribution account that was warranted but the condition of the business as a whole.

Even though this is after the closing date, I don't know -- there is some suggestion here that this agreement itself was late in coming but we don't have a date as to when --

MR. BLUMSTEIN: That was the testimony.

MR. WILLIAMS: I didn't object to that testimony. I do not object to anything that happened with reference to the negotiation or the handling of any other supplier, including Narco, prior to the date of the closing.

But here we have a date and a fact which they're attempting to put in evidence that postdates the closing and the warranty. And that's my objection.

MR. BLUMSTEIN: May I ask Mr. Bollo a couple of questions which may clarify this situation?

THE COURT: Well, all right. Go ahead, ask him those further questions. I'll reserve a ruling on the objection until I hear the further questions.

DIRECT EXAMINATION

BY MR. BLUMSTEIN: (Cont.)

Q Mr. Bollo, in connection with your discussions with Narco, what is your best recollection as to the point in time when those negotiations were going on and concluded successfully?

A Will you repeat the question?

Q When were those negotiations going on?

A Prior to September 18th.

Q How much prior to September 18th?

A Several months.

Q Can you pinpoint it any better in time?

A Not really. I would like to say this, if I might. I had to take this matter up with Mr. Putnam McDowell to get money approval to go into this.

MR. WILLIAMS: Prior to September 18th?

Q You~~'d better~~ ~~say~~ said yes?

A Yes, prior . And I believe it's mentioned in his memorandum which you just showed me here.

THE COURT: You think this is mentioned in a memorandum?

THE WITNESS: I believe so.

Could I see Mr. McDowell's memorandum?

Q Plaintiff's Exhibit 8? That's Mr.McDowell's memo of May 13th?

A Of May 13th? May I see it?

Q Yes, you may.

A Okay.

MR. WILLIAMS: I have no objection to that testimony, your Honor, but I still object to the contract going in.

THE WITNESS: Page 3.

MR. WILLIAMS: I don't object to anything that transpired prior to the closing, including negotiations and certainly not to any testimony which the witness offers as to discussions with Mr. McDowell. But anything that transpired after September 18th, 1969, I think is subject to objection.

THE COURT: Well, let me ask you this: There is also a claim of fraud here.

MR. WILLIAMS: Yes, your Honor.

THE COURT: Which, of course, involves a claim of scienter, intent. This might have a bearing on that.

MR. WILLIAMS: Well, anything that happened with respect to conversations with Mr. McDowell prior to September 18 would have a bearing on it. Or might, if it related to the subject matter.

But I don't see how a contract that is dated October 30, 1969, which postdates the closing can affect even a fraud charge, one way or the other.

THE COURT: Well, the witness' testimony as I've heard it now is that he had to take it up with Mr. McDowell to get the money for it, and that this occurred prior to September 18, 1969. I don't recall, there was some reference ~~to~~ or mention in a memo.

MR. BLUMSTEIN: Yes. I think Mr. Bollo has seen the memo and I was going to ask him whether that memo refreshes his recollection as to when --

THE COURT: That's a memo that's dated back in May?

MR. BLUMSTEIN: That is right. May --

THE WITNESS: The --

THE COURT: That's your Exhibit 8?

MR. WILLIAMS: Yes.

MR. BLUMSTEIN: May 13th.

THE WITNESS: May 13th of 1969.

THE COURT: Yes.

Is there a reference to it?

MR. BLUMSTEIN: Yes, there is, your Honor.

THE WITNESS: Yes, there is. Page 3.

MR. BLUMSTEIN: Near the bottom there is a listing of -- paragraph: "Bollo Foresees."

THE COURT: My feeling is this, too. There is an element to this case that -- at least as I remember Mr. McDowell's testimony that this company was viewed as a growth company.

MR. WILLIAMS: Yes.

THE COURT: I think it might be relevant on that aspect, too.

I understand your warranty point. I am not losing sight of it. I don't think that that necessarily precludes consideration of whether the warranty was as sharply defined as you say it was.

That's something I will have to --

MR. WILLIAMS: Yes. I do take that position because are we going to allow the defendant to offer contracts or negotiations in 1970, in 1971?

MR. BLUMSTEIN: I have no intention of doing so, Mr. Williams.

THE COURT: He's indicating -- that's why I asked how far he was going to take this.

MR. WILLIAMS: Yes. Logically, I thought maybe --

THE COURT: I would agree, there has to be a cutoff point someplace. It seems to me this occurs perhaps on the margin, but in the interest of having one might -- what one might regard as the culmination of an effort so close to the time -- if this be so, and now that I see there is -- some -- I believe some reference -- the Narco line, yes.

MR. BLUMSTEIN: There is another sentence in that memo.

THE COURT: Yes. You see that? The listing? I'm sure you --

MR. BLUMSTEIN: The next paragraph says --

THE COURT: It's at page 3. The Narco line.

MR. BLUMSTEIN: The Narco line is already on hand.

MR. WILLIAMS: I have no objection to that. The only thing was the contract itself.

THE COURT: All right. I feel that the contract is relevant in that light and so I'll overrule your objection and accept it in evidence.

MR. BLUMSTEIN: I can represent to the Court that I have one more contract and it's dated August 1st, 1969. So this problem won't come up again.

THE CLERK: Do you object?

MR. WILLIAMS: I objected and it was overruled.

THE CLERK: All right.

Defendant's Exhibit DD now marked in evidence.

(So marked.)

DIRECT EXAMINATION

xx BY MR. BLUMSTEIN: (Cont.)

MR. BLUMSTEIN: May we have this marked, please?

THE CLERK: Yes.

MR. BLUMSTEIN: And for the Court.

THE CLERK: A four-page document marked for identification as Defendant's Exhibit EE.

xx (So marked.)

BY MR. BLUMSTEIN:

Q I show you Defendant's Exhibit EE in evidence, Mr. Bollo and ask you if you can identify that -- for identification, rather.

A Yes, I can.

Q What is it, sir?

A This is a contract between Standard Aircraft or it's -- it's referred to as an agreement between Standard Aircraft and Eastern Air Lines for us to enter into a contract with them to supply wheel and brake replacement parts to them. I believe the period is for a 24-month period, yes, it is.

MR. BLUMSTEIN: I'll offer this contract in evidence.

MR. WILLIAMS: No objection.

THE CLERK: Defendant's Exhibit EE now marked in evidence.

xx (So marked.)

BY MR. BLUMSTEIN:

Q Mr. Bollo, I want to go back to the 1967 agreement that we were talking about this morning, June 8, 1967.

Do you recall that?

A Yes. This is when they bought 25 percent interest in the company.

Q Correct.

A Right.

Q Can you tell me the circumstances, sir, under which you first came in contact with any representative of Pittsburgh Coke, in connection with that contract?

A The circumstances?

Q How did that contract come into being, how did it start, what was the first contract?

A Mr. Or~~f~~in Leach, who was ~~the~~ a director of Standard and a partner of Esta~~ar~~brook & Company, called me to tell me that he had been visited or had met Mr. Richard Johnston, of Pittsburgh Coke, who was interested in scouting_out companies in which they wanted to make an investment and he asked me if could bring Mr. Johnston out to meet me and to talk with me.. That's the way the thing started.

Q What happened after that?

A We met. He looked at -- at least the

Garden City facility and I think possibly we took him out to the Farmingdale facility, which was known as Standair.

He told me they were interested in investments. Their minimum investment would be $750,000. Standard was in a growth pattern. I felt that I needed capital, to proceed and to stay in the picture because of the increased financial strength of our competitors.

I had been told by several of the manufacturers that we represented that we'd have to put in more inventory or we would fall by the wayside and they'd appoint somebody else that had the finances to do it.

My thinking at that time was, therefore, how do we get more capital into Standard. So I was interested. And one thing led to another and who came up with the proposal, I don't know. Whether it was a combination, Mr. Johnston, Mr. Leach or Mr. Johnston on his own, but anyway, the proposal was made to me that they would like to get 25 percent control of the company.

We had treasury stock that we had purchased. We could sell that to them. Mr. Leach had some stock that he could sell to them. I had some stock and we got it in that manner and got them into the company as a 25 percent owner.

Q After that agreement was entered into, did there come a time when you offered any representative of Pittsburgh Coke or First Grant Corporation a seat on the Standard Board of Directors?

A Yes. After they became a 25 percent owner, I offered a representative of Pittsburgh Coke a seat on the Board of Directors.

Q Do you know who it was?

A I think -- I think the offer was made to Mr. Johnston, not necessarily for him to be on the Board but somebody from the company. It was turned down. They felt they had too many other things; that was the answer that I recall now, too many other things going on.

Q After the June 8, 1967 agreement, to the best of your recollection, when did the subject first arrive -- excuse me --first arise of a further acquisition by Pittsburgh Coke of stock in Standard?

A Sometime in the fall of '68.

Q How did that come about as you recall it?

A I had hoped to get more capital into the company. That was my wish, to continue the company, to get this capital in for the purpose of increasing inventory. We were a growing company. We were going ahead. We had to have more inventory and so forth.

What did come to me and it came through Leach was that Mr. Johnston had suggested to him that he find out from me if we were willing to let them take -- get an 80 percent position in the company.

My thinking had to change at that point. We had this Air Work-PAC — Purex Complex, which made a big and strong and very financial -- financially capable comp~~uter~~etitor. I had visions of not being able to stay in business unless they -- unless we could compete with them.

Q Mr. Bollo, I don't want to interrupt you but I'm really interested in the conversations and discussions you had with First Grant and Pittsburgh Coke, not what your thinking was.

A I said let's talk about it, so they came out and one thing led to another. I was invited into a meeting in New York in the St. Regis where I had met Mr. Henry Hillman once before but met him again and we went further into this, discussed price and so forth.

Q Now, at that meeting at the St. Regis, what price were you asking for your shares?

A I asked $16.00 a share.

Q Do you recall if there was any counter offer?

A There was a counter offer, yes.

Q Do you recall what that counter offer was?

A What it was in dollars, I don't recall now. It was less.

Q Do you recall any representative of Pittsburgh Coke or First Grant at that meeting telling you how they had arrived at their counter offer?

A Yes, they had arrived at their offer on the basis of price earnings or a multiple of earnings, commonly known as price earning ratio.

Q Yes.

Now, how did that meeting end?

A The meeting ended with my rejecting the offer, shaking hands with Mr. Henry Hillman and I went home, figuring that that was the end of the negotiation.

Q What happened after that?

A Three, four or five days later, I got a telephone call from Mr. Richard Johnston, telling me that they had gone back to Pittsburgh, reconsidered it, were willing to pay me the price and they would like to go ahead with the deal.

Q What happened after that?

A They sent their attorneys in, the deal was put down on paper. This was a tender offer to all stockholders of Standard, except me, to purchase the stock at $16.00. There was an agreement that I would make up the difference, to bring it up to 80 percent.

They already had 25 percent. Whatever they could pick up from the --

Q The agreement is in evidence so we don't have to hear your testimony about it.

A Right, okay.

Q I want to ask you whether in the Fall of 1968 or thereabouts, you had been having discussions with any other companies concerning a sale of your interest?

A Yes, I had.

Q With whom?

A Premier Industries, I think it is, Cleveland, got in touch with me, came out to visit, said they were interested. They'd like to talk with me about the possibility of acquiring the company. They asked if I would be good enough to furnish them with five years of annual reports, going back, which I did.

We had a little talk about the company. They went back to Cleveland. They called me and --

invited me out. I went out to Cleveland, had lunch the executives. They are four brothers that run the Premier, and I was not too interested in it, their offer, and I came back.

Q Let me ask you this: Did you advise anybody at Pittsburgh or First Grant about these discussions with Premier?

A I don't know whether I advised -- now, whether I advised Richard Nixon -- Richard Nixon? -- Richard Johnston -- sorry -- or --

THE COURT: Strike that.

THE WITNESS: Or Orrin Leach did.

MR. BLUMSTEIN: It's obviously late on Friday.

THE WITNESS: Yes.

Q All right.

A I don't know who did but one of us did and they learned about it.

Q All right. Now, I'd like you to focus on the period between December of 1968 and September 18 of 1969 and tell me, sir, to the best of your recollection, whether during that period of time representatives of First Grant or Pittsburgh Coke visited your offices here in New York?

A Yes, they did.

Q Who, to the best of your recollection, were these representatives, their names?

A Mr. Tom Binger, who is president -- who at that time was president of First Grant Corporation came in on several occasions, several being three, to talk with me and look over the company and so forth and I believe at that time he had not seen our Standair facility, which was located in Farmingdale, some 13 miles away.

I took him out to see that. You want to know who else? Who else?

Q Mr. McDowell, did he come out?

A I don't think so. He might have been. Yes, he was in that period of time, certainly. He was a visitor.

Q What about --

A And so was Mr. Bonar.

Q Mr. Bonar?

A Yes.

Q What about --

A There were one or two others.

Q How about Mr. Stoll?

A Their accountant. Not Sole, Stoll.

Q Stoll, S-t-o-l-l?

A Yes, he was out; Stoll.

Q Now, generally speaking, when these people came out, what transpired if there was any general procedure?

A Well, there was. Usually I would get a telephone call the day before asking if I was going to be in and could they come out to see me. They would then come out, sit down in my office, go into a general discussion of business and so forth.

And then they would say, well, depending upon who it was, take Stoll, for example, he's an accountant, could I go in and talk to your accounting people and I said, yes. I'll take you in and introduce you to my accounting man and leave you there. When you are finished, come on back.

So he was one visitor and that's what he did. Putnam McDowell was not specifically interested in any one thing. He looked the whole thing over. Tom Binger I mentioned. He was not interested in any one specific thing. He looked the whole thing over. Mr. Bonar came in, called on me first. He was interested, as I recall it, on the inventory portion of the business.

I took him down to Mr. Rushia's office, introduced him, left him with him. Told him that when he was finished to come back to my office. Mr. Rushia, I believe, in time turned him over to Mr. Francowitz, who was our purchasing agent and Mr. Francowitz took him through the plant on a tour.

I believe, showed him how we received material in, how we ship it out, how the paper work works, how our stockroom is numbered, so forth, for quick picking of orders and that sort of stuff.

That anyway was what Mr. Bonar wanted to see. He eventually wound up back in my office and I think I took him over to the airport.

Q Let me ask you this question: At any time prior to September 18, 1969, did you ever tell anyone at Standard that there was any subject that could not and should not be discussed with representatives of Pittsburgh Coke?

A No.

Q Did you ever tell or instruct anyone at Standard that if asked questions about the operations of Standard, they should tell anything but the complete truth about those operations?

A No.

Q Did you ever issue any instructions or tell anyone at Standard that there was any document that should not be disclosed to a representative of Pittsburgh Coke if a request were made for that document?

A No.

Q To your knowledge, do you know of any documents that were withheld?

A I didn't hear the question.

Q To your knowledge, do you know of any documents that were withheld?

A Withheld? No.

MR. BLUMSTEIN: Your Honor, I think I am finished. I have some documents. I suspect there will be no dispute about them and if we can take two or three minutes now and I can discuss them with Mr. Abrams and make sure of that, I think we will be finished with this witness.

THE COURT: All right, go ahead.

(continued next page.)

B flws

MR. BLUMSTEIN: Thank you.

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R1

Your Honor, there will be no objection to any of these documents that I have just shown Plaintiff's counsel. I would suggest -- I just handed them to the Clerk to have them marked, and I will offer them in evidence.

And I have no further questions of Mr. Bollo.

THE COURT: All right.

Then you may step down, Mr. Bollo.

THE WITNESS: Thank you.

(Witness excused.)

THE CLERK: These are all in evidence.

MR. BLUMSTEIN: Yes.

THE CLERK: Various documents, stapled together, marked in evidence as Defendant's Exhibit FF. ***

MR. BLUMSTEIN: This will be GG.

THE CLERK: One-page document, marked Defendant's Exhibit GG. ***

MR. BLUMSTEIN: This will be HH.

THE CLERK: Two-page document, marked in evidence as Defendant's Exhibit HH. That's in evidence. ***

MR. BLUMSTEIN: II.

THE CLERK: Three-page document, marked in evidence as Defendant's Exhibit II. ***

MR. BLUMSTEIN: This is JJ.

THE CLERK: A nine-page document marked in evidence as Defendant's Exhibit JJ. **

MR. BLUMSTEIN: This will be KK.

THE CLERK: Various documents, stapled together, marked in evidence as Defendant's Exhibit KK. **

Various documents, stapled together, marked in evidence as Defendant's Exhibit LL. **

MR. BLUMSTEIN: This is the last.

THE CLERK: Two-page document, marked in evidence as Defendant's Exhibit MM. **

MR. WILLIAMS: May we adjourn, then?

THE COURT: You may, indeed.

I suggest -- My suggestion, based on a few matters I have at 10:00 o'clock on Monday, that you not get here before 10:30.

MR. WILLIAMS: That will be fine, your Honor.

MR. BLUMSTEIN: Thank you very much.

MR. WILLIAMS: I think I can finish the cross-examination of Mr. Bollo, hopefully, in the morning.

MR. BLUMSTEIN: Good.

MR. WILLIAMS: You don't want the accountant, Christopher ~~Whittaker~~, here?

MR. BLUMSTEIN: No.

THE COURT: All right.

MR. BLUMSTEIN: I think, based on that schedule, we can finish on Monday.

THE COURT: All right.

MR. WILLIAMS: Thank you, your Honor.

THE COURT: All right.

(Whereupon, an adjournment was taken to Monday, October 21, 1974, at 10:30 o'clock A.M.)

* * *

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681-818

WILMINGTON SECURITIES INC.
RE: PITTSBURGH v BOLLO
10/21/74

[transcript pages 595-730]

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

---------------------------------------x

PITTSBURGH COKE & CHEMICAL CO., :

Plaintiff, :

-against- : 71-C-305

LOUIS J. BOLLO, :

Defendant. :

---------------------------------------x

United States Courthouse
Brooklyn, New York

October 21, 1974
10:00 o'clock A.M.

Before:

HONORABLE EDWARD R. NEAHER, U.S.D.J.

I hereby certify that the foregoing [illegible]
[illegible] notes [illegible]
Daniel Simon
Official Court [illegible]
U.S. Dis[illegible]
Eastern District of [illegible]

DANIEL D. SIMON
OFFICIAL COURT REPORTER

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BY: ALLAN BLUMSTEIN, ESQ.
ANTHONY M. RADICE, ESQ.

THE COURT: Everybody ready to proceed?

MR. BLUMSTEIN: We did receive over the weekend the Price Waterhouse backup data that was promised. I think it came in yesterday morning.

LOUIS J. BOLLO, called as a witness, having previously been duly sworn, resumed the stand and testified further as follows:

CROSS-EXAMINATION

BY MR. WILLIAMS:

Q Mr. Bollo, you said that you are now operating a real estate holding company?

A That is correct.

Q And what is the name of that company please?

A Bollo Holding Corporation.

Q Where is it located?

A Presently I operate out of my home in Center Island.

Q Wasn't inventory a large part of the assets of of Standard in any year?

A Yes, it was.

Q In the year ending December 31, 1967 I think your financial statement indicates that inventory constituted 2.7 million of the roughly 4.4 million dollars in assets; is that correct?

A I would have to see the annual report to be sure of it. Could you show it to me?

MR. WILLIAMS: Do we have the annual report (addressing Mr. Abrams)?

(Document handed to Mr. Williams.)

BY MR. WILLIAMS:

Q I show you Plaintiff's Exhibit 6 and ask you to look at that and see if I am right in my figures.

A Would you read off your figures, sir?

MR. WILLIAMS: Would you read them off?

(Record read.)

THE WITNESS: Close enough. It was two million six hundred and eighty-nine thousand, I believe.

Q Now, did you write off dead stock every year at the year end?

A Did we write off in every year?

Q Yes.

A There was a write-off in every year but not at the end of each year.

Q There were no write-offs -- yearend write-offs of inventory in 1963, were there?

A I'm not sure of the year. If you can show me the report I would be happy to look at it.

Q I show you a stipulation which is Plaintiff's Exhibit 1. In 1963 there was no yearend write-off of inventory?

A There was no yearend write-off at the end of 1963.

Q And there was no yearend write-off in the year 1966?

A That is correct.

Q And there was no year end write-off of inventory in the year 1968?

A That too is correct.

Q The write-offs that you are suggesting occurred during the year, were wirte-offs only of broken parts or lost parts?

A No, I wouldn't limit it -- those too are items that were written off. There were other things.

Q That was a very small part of your inventory, wasn't it?

A I wouldn't say it was a very small part. It was a continuing thing and ran almost daily, and that would cover returned items that were considered defective with replaced items, and that would account for write-offs; our repair department wrote off things that didn't warrant any repair.

You have mentioned the other two. There were several things of that nature, we have theft and we have mishandling. We had improper quantities being shipped out and things like that.

So that while it seemed small on any one day you add them up and it amounts to a considerable amount of inventory write-off.

Q Mr. Bollo, there was no write-off based on an obsolescence factor or a factor which we have heard testimony about that there were no sales of that item within two years?

You didn't write it off during the year because it was dead stock? Just dead and confining to --

A Well, you've got two things here, one you say there was no write-off. There was a write-off --

Q We have been over that.

A The first part of it.

Q Just a moment, please.

I am asking you about dead stock only. Was there any write-off during the year of dead stock as such?

A What is your interpretation of dead stock?

Q Oh, I am asking you questions. And the definition which you heard of dead stock here is parts with respect to which there has been no sales within two years or no inquiries within two years.

A I can't consider that dead stock, two years.

Q Very well. You do not consider it dead stock?

A No, I don't.

Q But was there any write-offs of materials which had not moved for two years?

A There may have been.

Q No, I am not talking about during the year. Was there a specific program of writing off what I have defined as dead stock, that is, parts which had not moved in two years?

A There was no policy, written policy, to cover what you are talking about, no.

Q Now, did you hear Mr. Rushia testify? You were here when Mr. Rushia testified?

A Yes.

Q Would you turn to page 273?

MR. BLUMSTEIN: Of what?

MR. WILLIAMS: Of the transcript.

We have a copy of the transcript if that would be helpful to your Honor.

THE COURT: Oh, I have it.

MR. WILLIAMS: Page 273.

Q Did you hear MR. Rushia testify as follows in answer to these questions:

"Question: What directions did Mr. Louis Bollo give you?

"Answer: At the end of our physical inventory or early in the following year he would give me a figure to write off.

"Question: When you say he would give you a figure to write off, you mean a dollar figure to write off?

"Answer: A dollar figure.

"Question: Do you know how he arrived at that dollar figure?

"Answer: I do not.

"Question: He didn't discuss how he arrived at the dollar figure with you?

"Answer: Not with me.

"Question: Did you furnish him any inventory cards or records on the basis of which he would decide what dollar figure to ask you to write off?

"Answer: No."

MR. WILLIAMS: And then if your Honor please, we skip to page 276, the bottom of the page line 21:

"Question: Can you tell us how much inventory was written off in that year 1962?

"Answer: Ten thousand dollars and three cents.

"Question: And can you tell us how you arrived at the figure of ten thousand dollars and three cents?

"Answer: I was given the figure by Mr. Bollo.

"Question: Did that represent all of the inventory which had not been sold or with respect to which there had been no inquiry for two years?

"Answer: No ~~Yes~~."

MR. WILLIAMS: Then down to line 18.

"Question: Do I understand there was a balance of inventory that was more than two years old which you did not write off?

"Answer: There was a balance of inventory that I did not check."

Did you hear Mr. Rushia testify to that?

A Yes, I did.

Q Was that testimony accurate and true?

A I can answer that only in telling you that you heard what I testified.

Q I did indeed.

A On the same thing.

(Con'd on next page.)

rl

CROSS-EXAMINATION

BY MR. WILLIAMS (Cont'd):

~~Q I did indeed.~~

~~A On the same thing.~~

Q Now, the failure to write off year-end inventory in the years 1963, 1966, and 1968, would tend to make the company look more profitable, wouldn't it?

A You use the word "failure to write off."

Q Well, let's change the word.

A Please do.

Q The fact -- the fact that you didn't write off year-end inventory in those years would tend to make the company look more profitable, would it not?

A This was my decision as to whether or not to write off at the time.

Q No, please answer my question.

A Yes, it would, to answer your question.

Q Thank you. If you were interested in selling the company, it would make the company look more saleable, would it not?

A It might.

Q During the year 1960 -- during the '60's, the -- Standard wasn't using a two-year rule to write off its inventory, was it?

A No, they were not.

Q Didn't you represent to First Grant Corporation that a two-year rule was being used?

A I did not.

Q Now, a two-year rule would mean that at least some inventory was written off every year end, wouldn't it? As we defined year end?

A That's what a two-year rule would mean, yes.

Q I'd like to read the testimony of Mr. Bonar, page 121. Didyou hear Mr. Bonar testify as follows -- you were here during his testimony?

A Yes, I was.

Q "Question: I want to hand you now an exhibit which has been introduced in evidence as Plaintiffs Exhibit 9 and ask you first if this is the document to which you made reference?

"Answer: Yes, it is.

"Question: On the second page of that exhibit, there is a paragraph which is the third paragraph up from the bottom.

"Answer: Yes.

"Question: Which purports to deal with the write-off policy. Now, first of all, can you tell us, without looking at the document, what you recall

Mr. Bollo said to you about the write-off policy?

"Answer: Yes. I asked him what his write-off policy was. He said, 'Our policy here is that if we have not had any orders for a part or any inquiries for a part~~y~~ for two years, we then write it down to zero. We then keep it for two years on the shelf and if we still have not had any inquiries or orders, we then donate the part to a subsidiary, Standix, for re~~tail~~ sale in the market place.'

"Question: On the second page of Plaintiff's Exhibit 9, third paragraph from the bottom, there is a paragraph which purports to deal with Standard's inventory write-off policy. Do you know, as you sit here today, Mr. Bonar, whether this is what Mr. Bollo, Mr. Louis Bollo said to you?

"Answer: Yes.

"Question: How do you know?

"Answer: Well, any time someone enunciates policy when I'm doing one of the analyses, I write down word for word what the person says the policy is. I then repeat it back to the person and ask for his agreement. I did the same here and in fact I did it twice. After he told me the policy, I read it back to him. He agreed that ~~this is -- that~~ this in fact was what the policy was. Later in the day, my last meeting of the day was with Mr. Bollo who then drove me to the airport. I went over my notes again and every one of the policies narrated here I read back to him from my written notes.

"For example, the #four thousand a month, $48,000 a year inventory write-off, I read that back. The policy I read back and he affirmed that that is what it was."

Now, you heard that testimony. Was that testimony accurate and truthful?

A The testimony certainly was not accurate.

Q And you deny that that is what you said to Mr. Bonar?

A I most certainly do.

Q If he wrote that in his notes and says he read that back to you, he is in error?

A I don't know that he took notes.

Q Did you remember that he read any notes back to you at all?

A I don't think he did.

Q You don't think he did? Do you remember whether he did or not?

A No, I am not sure but I do not think that at at this time that he did.

Q I show you Plaintiff's Exhibit 13, a document dated July 8, 1967, from Glen Danks to D. T. Kimball, entitled "Proposal for Cancellation of the Standard Aircraft Distribu~~y~~torship Agreement, and Absorption of this business into aircraft component division~~s~~."

Have you seen this document before?

A Yes, I have.

Q You testified at the trial -- you testified on Friday that you had seen it before.

MR. WILLIAMS: May I have the deposition, page 251?

MR. ABRAMS: Yes.

Q I'm going to read from your deposition which was taken on May 19, 1971.

MR. BLUMSTEIN: That's not correct.

MR. WILLIAMS: I beg your pardon?

MR. BLUMSTEIN: That was the date of the notice. The deposition was taken -- [illegible].

MR. WILLIAMS: I'm sorry. I beg your pardon.

MR. BLUMSTEIN: -- May 3rd.

MR. WILLIAMS: May 3, 1972.

MR. BLUMSTEIN: Right.

MR. WILLIAMS: Right. Thank you.

BY MR. WILLIAMS:

Q Pages 251 and 252. This documents which is now Plaintiff's 13 was shown you. Let me ask you, first, Mr. Bollo, if you recall every having seen this document before?

"Answer: To the best of my knowledge, no.

"Question: Do you recall, Mr. Bollo, if you were ever advised, while you were president of Standard, that Standard Aircraft had in its possession a document of the Whittaker Corporation entitled "Proposal for Cancellation of the Standard Aircraft Distributorship Agreement'?

"Answer: No, I was never advised of it either. Strange, this isn't signed.

"Mr. Green: Draft."

Mr. Green is your assistant?

MR. BLUMSTEIN: He was at one time, yes.

Q "The Witness: No, I've never seen -- I will repeat myself, no., I've never seen this before, nor knew of its existence. You don't wish me to read this ~~ni~~, do you?

"Question: No, sir. I will direct your attention to a specific page shortly. I would only ask you to read it, if you think that might refresh your recollection as to whether you have seen it before.

"Answer: I have never seen it. I know that to be a fact."

Do you remember giving that testimony in answer to those questions?

A Yes, I do.

Q Now, is your testimony when you gave it true?

A My testimony in May of 1972 represented the best recollection at the time on this particular document, which goes back some five years. It was an error. That's all I can say. I didn't think at the time that I had seen it.

Q You became aware, did you not, that employees of this aircraft components division were actively soliciting sales directly from your customers?

A Yes, I was aware of that.

Q And you were aware of the fact that the nature of the relationship was deteriorating?

A To a degree, yes.

Q And did this suggest to you, Mr. Bollo, at that time that Whittaker's aircraft components division was attempting to take over the Whittaker business that Standard normally did?

A You're talking about the period 1967?

Q '67, '68, yes.

A Yes, it was always the individual desire to try to take it over, Mr. Danks being the individual. There is no question about that.

Q Did you inform anyone from First Grant prior to the closing that Whittaker was currently considering cancelling the Standard distributorship agreement?

A I object to the word "Whittaker." It was Mr. Danks that wrote to his superior in this particular message and he had no power. He was trying to sell this idea~~l~~ to his people.

(Continued on next page.)

Q No. The question is, did you tell anyone at First Grant whether it was Whittaker, ~~Wright~~ White, or Danks, that was trying to take this business away from Standard?

A Not to my knowledge, no.

Q Did you tell anyone at First Grant that Whittaker had established its own distribution division?

A They were aware of that, yes.

Q No. Did you tell anyone there?

A This division, I believe, was set up in 1966 or '67. It was a fact at the time that we talked with Whittaker.

Q That does not --

A I'm sorry. With First Grant.

Q The question is, did you tell anyone at First Grant about this?

A I may have. I don't remember at this late date.

Q Did you tell anyone at First Grant or Pittsburg Coke and Chemical of the existence of that document, Plaintiff's Exhibit 13?

A I don't remember. I don't know one way or the other.

Q I'd like to refer to Plaintiff's Exhibit 14, the January 28th, 1969 memorandum of your brother, Jerry

Bollo. In your direct testimony, as I recall it, you said that you did recall discussing the subject matter of Paragraph 2 of the memorandum with Jerry Bollo. I show you Paragraph 2. Do you remember so testifying?

A Yes, I do.

Q Paragraph 2 of Exhibit 14 says, "On the Lockheed 1011 and the DC-10, the competitive situation is so great that in all probability we will not be handling either unit or spare parts support business on these aircraft. The 747 will probably be the same."

Is that what Jerry Bollo told you in substance?

A That was his opinion at the time.

Q That's what he told you?

A Yes.

Q Did you advise anyone in employ of Pittsburgh Coke or First Grant prior to September 19, 1969, that in all probability Standard would not be handling either unit or spare parts support business on the Lockheed 1011?

A I believe they were informed of this, yes.

Q No. Did you tell them?

A This is difficult. Five or six years later to say whether I told them or not. I did not keep a book on it. They -- we were dealing, Standard was dealing --

Q No. Please, you answered the question.

A I did.

MR. WILLIAMS: May I have the deposition?

Q Page 148. I'm going to read you from Page 148 of your deposition. Were you asked these questions and did you give these answers?

"Question, -- this is about Page -- 148, Line 22.

"Question: Did you advise anyone in the employ of Pittsburgh Coke or First Grant prior to September 18, 1969 that in all probability Standard would not be handling either unit or spare parts support business on the Lockheed 1011?

"Answer: No, I don't recall ever telling that.

"Question: Did you ever advise anyone in the employ of Pittsburgh Coke or First Grant that in all probability Standard would not be handling either unit or spare parts support business on the DC-10, with respect to Whittaker products?

"Answer: No, I don't recall that either.

"Question: And finally, did you advise anyone in the employ of First Grant or Pittsburgh Coke prior to September 18, 1969 that in all probability Standard would not be handling unit or spare parts support business on the 747?

"Answer: No. 747?

"Question: Yes, on the 747.

"Answer: You are repeating yourself. You asked 747 and then you went to DC-10.

"Mr. Blumstein: No, the first question was Lockheed.

"The Witness: I'm sorry, my mistake. I think you -- I thought you started out with the 747.

"Question: The answer to all three is no?

"Answer: Yes."

Do you remember giving those answers to those questions?

A I don't remember that even, to tell you the truth, no, but --

Q Was that testimony true when you gave it?

A To the best of my knowledge, it was, yes.

Q You're asking the Court now to believe that --

A That is my best recollection.

Q No. Question, you're asking the Court now to believe that you did tell someone, in First Grant or Pittsburgh?

A I'm saying that at that time that was my best recollection of what happened -- what took place.

Q That was more than two years nearer the event, was it not, than today?

A It was about two years, that's right.

Q Is your memory a lot sharper today than it was two years ago, when you were questioned?

A I have refreshed myself as a result of the testimony of myself and others, yes.

Q And you've discussed with your lawyers the consequence of your saying you had not told anyone in First Grant about these matters?

MR. BLUMSTEIN: I object to that question.

A I did not.

MR. WILLIAMS: The question was, he talked to his lawyers about the consequences.

MR. BLUMSTEIN: All right.

MR. WILLIAMS: Of not having told anyone in First Grant or Pittsburgh about these matters.

A I don't remember that the word consequences came into it. Everything was discussed, yes.

BY MR. WILLIAMS:

Q You realize the effect of your not having told anyone in First Grant about these matters?

A This starts off with an opinion.

Q No, question, I asked you a question, please answer it. Do you know the effect of your not having told Pittsburgh or First Grant about these matters?

A Do I know the effect?

Q Yes.

A These people were in and out and I cannot say that I didn't tell them or that they didn't learn of it from somebody else.

Q Please answer my question. Do you know the effect on this case of your not having told anyone at Pittsburgh or First Grant about these matters that I have just interrogated you on?

A No, I don't know what effect it would take -- it would have.

Q All right. Thank you. When did you first learn that Standard would not be handling Whittaker unit or spare parts support business on the wide-bodied jets?

A When did I first learn it? Here again, I can't give you the exact date but it would have been sometime in '69.

Q Do you remember that at your deposition you testified with respect to when you got the information set forth in Paragraph 2 of Jerry Bollo's memorandum? Do you remember testifying about that?

A No.

MR. WILLIAMS: Let me have it, please.

MR. ABRAMS: Yes.

Q Page 146, the third line. I read you questions and answers on this subject.

"Question: If this information in fact came from Mr. Whittaker -- that's a mistake -- Mr. White it should be or Mr. Danks and came to you in January, 1969, would it have been of real importance to you?

"Answer: Yes, sure.

"Question: Is it your testimony that you do not recall whether this information came to you or not?

"Answer: My testimony is I don't recall. I don't think I got this information at this time. At some later date, I know that I got similar information.

"Question: Did you get similar information pric to September 18, 1969?

"Answer: No. It seems to me it was in -- it was in late '69 or -- maybe early '70. Somewhere aroun there."

Do you remember that testimony now?

A Yes, I do.

Q What did you testify with respect to that on Friday, if you recall?

A I think I testified that I got it sometime prior to September 18, 1969.

Q Did you say you got it within two or three days or two or three weeks? Of the date of Jerry's visit to Whittaker?

A No. It would hav been --

Q That was in January, that was in January, as I recall, 1969?

A His trip was in January, 1969, and I believe sometime later, whether it was February or March, after that, or April, I am not sure, but we did get a wire, I believe.

(Continued on next page.)

A (continuing) As I said, we would not supply 747.

Q I'll come to that.

3

Did you stock any Whittaker 747 inventory in 1969?

A Yes, we did. Yes.

Q Specifically and exclusively for 747? I don't mean interchangeable or compatible parts, or whatever you call it.

A Your question was, did we get Whittaker inventory. I said yes.

Q I beg your pardon.

A OK.

Q I meant Whittaker 747 inventory.

A No, we did not.

Q Thank you.

Now, I show you the telex which is Plaintiff's Exhibit 15, dated February 6, 1969.

On Friday, Mr. Bollo, you testified that you did see this TWX around February 7; do you remember that?

A Yes. That's approximately the date of the wire.

Q Do you recall testifying at your deposition in this case about this subject and giving the following answers to the questions that were asked you? Page 259, starting on Line 4.

2 "Plaintiff's Exhibit 27" -- that was marked in the deposition as 27 and is now Plaintiff's Exhibit 15, which you have -- "...which I pass to you now is a telex which I showed you last time, as to which you testified last time."

You testified in your deposition on two different occasions?

A Right.

MR. BLUMSTEIN: Three.

MR. WILLIAMS: Three?

MR. BLUMSTEIN: Yes, sir.

BY MR. WILLIAMS:

Q "Answer: I testified that I hadn't seen this before, if I recall correctly, and it still stands.

"Question: I think your testimony was that you were not sure when you had seen it.

"My question to you now is going to be whether you now recall whether you saw that telex at any time prior to May, 1969?

"Answer: I don't think I've ever seen this. I do see here that copies went to J.J. Davies, who was our southern representative, and I can't make out the name on top. It looks like it might be Rushia.

"Question: Apart from the question of whether you saw it prior to May, 1969, I want to ask you now, so

3 that the record may be clear on this, whether you were told prior to May, 1969, that Whittaker had in words or substance advised Standard Aircraft of the material contained in this telex?

"Answer: No, I don't think so.

"Question: I do not want to ask you to engage in speculation now, Mr. Bollo. I would suggest that you do not, but I do want to pursue this just once more.

"Can you give us any reason as you sit here today why you were not told of this telegram?

"Mr. Green: I object to the form. You may answer. Go ahead and answer.

"Answer: No, I can't. This surprised me when you showed it to me six months ago and surprises me again today. It's something that I should have been told about, something I should have gotten a copy of.

"Question: Who was responsible for giving you a copy of a telex such as this in the employ of Standard?

"Answer: It would appear that my -- this thing is addressed to the attention of my brother and he should have given me a copy or told me about it.

"Question: Are you clear as you sit here today, Mr. Bollo, that you were not, prior to May, 1969, told the substance of this telex by your brother?

"Answer: To the best of my knowledge, I did not receive this information."

Do you remember so testifying?

A I do.

Q Now, on Friday, Mr. Bollo, you testified that you were pretty sure that you advised someone at First Grant or Pittsburgh Coke concerning the contents of this February 6, 1969 telex. That appears on Page 541. Do you remember so testifying?

A Yes, I do.

Q Can you tell us how you could have told anyone at Pittsburgh Coke or First Grant about the telex if in fact you hadn't seen it?

A Going back to the tesimony in the deposition, it -- it was vague at the time. I hadn't been talking or looking at anything in the Whittaker line for two or three years. It was my impression that I hadn't seen the wire.

This was borne out by the fact that the wire was addressed to Jerry Bollo and copies were sent to J.E. Rushia and J.J. Davies. I naturally assumed, since my name was left off it, that I hadn't seen it.

My recollection at that time, therefore, was that I hadn't.

Q You testified about it on two different occasions

5

in your deposition?

A That's right. That's right.

Now just a minute. Later on I did get familiar with the contents of it. When it was, I still don't know. I'm very -- it is very difficult for me to tell exactly what time--what day of the month or what month it was.

Q Isn't it a fact, Mr. Bollo, that you didn't tell anyone at First Grant or Pittsburgh Coke about this telex?

A No, it is not a fact. Bear in mind that I was talking to many people at Pittsburgh Coke.

Q The first sentence of the telex reads, "In accordance with our recent discussions with Harry White, it is Whittaker's intention to accomplish all initial provisioning for the 747 aircraft through the Controls Division."

When did you first learn this information?

A Sometime after the wire. I don't know exactly when. It talks about the initial provisioning for the 747.

Q Well now, on Friday you testified that you learned it within a day or two of the receipt of this telex?

A Very possible.

Q Do you remember that?

A Very possible.

Q Now, in your deposition you were asked about this, Page 259 and Page 260. Did you give the following answers to the questions that were asked you? It's with respect to Plaintiff's Exhibit 15.

"Question: Apart from the question of whether you saw it prior to May, 1969, I want to ask you now, so that the record may be clear on this, whether you were told prior to May, 1969 that Whittaker had, in words or substance, advised Standard Aircraft of the material contained in this telex?

"Answer: No, I don't think so."

Do you remember giving that testimony?

A I don't remember that, but that probably was my recollection at the time.

May I have a drink of water?

Q Yes.

A Excuse me.

Q Mr. Bollo, if you want to pause at any point or take a recess, I will have the Court --

A No, it's perfectly all right. I have a sore throat and this will help.

Thank you very much.

Q Was this matter discussed at the May 9, 1969 meeting of the board of directors of Standard Aircraft?

A If we knew it prior to that, it would have been discussed, yes.

7 MR. WILLIAMS: I move to strike that answer.

Q That isn't any answer at all. Did you or did you not, or do you remember anything about it?

Did you tell anyone at the meeting on May 9,1969 of the board that this telex had been received from Whittaker and you probably would not get any 747 business from Whittaker?

A Well, in the first place, I would not have said that we would not have gotten any 747 business because the telegram says the "initial provisioning only." So I would not have told somebody we were not going to get any business from them.

Q Did you reveal the receipt of this telex to that board meeting?

A The fact that we were not going --

Q No. Please.

Did you reveal the fact that you received a telex?

A Just a minute.

Q At the meeting?

A The fact that we were only going to be cut off on initial provisioning must have been told to the people at the meeting.

Q So your answer is yes, you did tell them at the meeting?

A Yes.

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Q I show you Plaintiff's Exhibit 10, which is a memorandum dated September 27, 1968, written by R. M. Johnston summarizing -- apparently summarizing his negotiations with you and I direct your attention to where he states, "Whittaker Corporation continues to be the largest supplier and volume continues to rise dramatically."

A Would you help me out? What paragraph do you see that in, or do you want me to find it myself?

Q I'll find it for you. Toward the bottom of the page.

A Yes, I see it. Sorry.

Q I'll read it again. "Whittaker Corporation continues to be the largest supplier and volume continues to rise dramatically and now purchasers are $1.8 million annually."

THE COURT: I think the word is "approaches".

MR. WILLIAMS: I'm sorry. You're quite right.

THE WITNESS: "Approaches."

MR. WILLIAMS: Oh, yes, "approaches".

BY MR. WILLIAMS:

Q "... $1.8 million annually. These controls will appear on the big airplanes in quantities just as they are on the first generation jets."

Did you tell Mr. Johnston Whittaker was Standard's largest supplier?

9 A Here again, I believe I did. They were at the time.

Q Did you tell him that Whittaker controls would appear on the big airplanes in quantities?

A It was not a positive statement. We expected it.

Q No. Did you tell him? He says you told him. Did you tell him?

A We may -- we met -- I met with other people here. Ortin Leach was in. He may have told him.

I believe he got the message either from me or from Ortin Leach, but there was a lot of discussion back and forth, and for me to say yes, is hard to say. I probably did.

Q Did you testify on May 19, 1971 in your deposition at Page 147 as follows in answer to these questions?

"Question: In Mr. Johnston's memo, September, 1968, which you have already testified to --

"Answer: Right.

"Question: Mr. Johnston quotes you or paraphrases you as saying that it is in the last three lines here -- what is in the last three lines here. At any time prior to September 18, 1969, did you tell Mr. Johnston or anyone at First Grant or Pittsburgh Coke that the substance of the last three lines here was not true?

10 "Answer: No, not that I can recall."

Then going down a little bit further.

I'll read the whole page.

"Question: I'd like to take you one or two sentences up from the last three that you are talking about Whittaker. He makes a statement here that Standard has been assigned as the fourth distributor for General Aviation radios manufactured by Bendix."

Oh, this is your answer.

"Answer: That was not correct.

"Question: We will come to Bendix, I promise you, Mr. Bollo. I want to stay on Whittaker.

"Answer: I'm just pointing out that he has errors in there, in this memorandum.

"Question: But not according to you in the last three lines, which is all I'm asking you about now?

"Answer: No, no, no, except the exclusive part of it."

Did you give those answers to those questions?

A Yes, I did.

Q Wasn't Standard at that time the only distributor for Whittaker products, other than Whittaker itself?

A Yes, they were.

Q Wasn't this an important consideration, an

11 important fact to Standard Aircraft?

A That we were the only distributor?

Q Yes.

A Yes, it would be.

Q And the largest distributor?

A Well, one and only had to be the largest, certainly.

Q Isn't that something you would want to know if you were buying the company?

MR. BLUMSTEIN: I'll object to that question, your Honor.

THE COURT: I will allow it. I will overrule the objection.

A (continuing) I suppose so.

Q Now, did you say that you saw no change in this situation when your were talking to Mr. Johnston?

A In September, 1968?

Q Yes.

A No, no. I knew of no change.

Q Most of the Whittaker parts that Standard had been selling prior to 1968 were for first generation aircraft or propeller aircraft; were they not?

A That is correct.

Q By 1968, the products for these aircraft had peaked and had begun to decline; had they not?

12

A Yes, they would have slowed down a bit, that's right.

Q So the sales were off?

A Sales would be off.

Q The profits were on the way down?

A Profits remained the same, but they would be less because volume was less.

Q Isn't it true that the prospects for the increase in the sales of parts after 1968 rested primarily on prospects of substantial business for the 747 and other second generation aircraft?

A That would have helped, but we would still have the original business. We looked forward to it. We hoped we would get it.

(continued on next page)

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CROSS-EXAMINATION

BY MR. WILLIAMS: (Cont.)

Q I show you plaintiff's exhibit 17, which is a letter dated April 1, 1968 from Bendix Navigation and Control Division to Jerry Bollo?

A Are you finished with the things that are not correct in this (indicating)?

MR. WILLIAMS: No, I am not going over those. You have already testified about them.

THE WITNESS: Very good.

MR. BLUMSTEIN: What was the date of that memo?

MR. WILLIAMS: Which memo?

MR. BLUMSTEIN: I think you said April 1st.

MR. WILLIAMS: April 1, 1968.

Q You saw this letter, did you not, shortly after it was received?

A Yes I did.

Q Would you note the fourth paragraph "Cuts to Discount Rate", do you see that?

A Yes I do.

Q There has been previous testimony by Jerry Bollo that this cut was from 16.7 percent off the price to the customer to 4.2 percent?

A That is not correct.

Q That is not correct? Will you tell me what is correct?

A This was the reduction in the discount to us, to the distributor, to 42-1/2 percent.

Q To 42-1/2?

A Yes.

Q How much of a reduction in discount was that to you?

A I believe at that time we had three classifications of discounts, 50, 45, and I think it was 35. There was a third one. So from the 50 percent discount it would have been the mathematical difference of 45 to 42-1/2 would be 2-1/2 percent, and so on down the line.

Q Now, on top of that discount, didn't you give your customers an additional 2 percent cash discount if they paid within 10 days?

A No, our terms were 1 percent 10 days and net, and we did give some discount, a preferential discount of 2 percent 10 days in order to attract business. On some items. Not on everything.

Q Isn't it true, Mr. Bollo, that this cut in discount rate, whatever it was, effectively made it unprofitable to handle these items?

A Made it unprofitable to handle units.

Q And on page 192 of your deposition, didn't you testify that there was no profit to speak of?

A Very little. 2-1/2 percent is very little profit.

Q The first sentence on the exhibit that you have, the first sentence on that page 2, states:

"May I point out that this discount schedule covers initial provisioning as well as follow on spares for all commercial end items."

What did you understand that "follow on spares" to mean at the time?

A The "follow on spares" was follow on units.

Q I refer to your deposition pages 167 and 168 and I ask you whether you gave these answers to these questions:

> "Question: Am I correct that the reduction discount was from 10 percent to 2.5 percent?
>
> "Answer: To 2.5 that's right.
>
> "Question: This was a reduction which applied, did it not, on all commercial end items sold by the Navigation and Control Division as opposed to simply the initial provisioning of the 747?
>
> "Answer: Yes, that is what it says, all commercial end items."

Down toward the bottom of the page:

"Question: On the second page reference is made in the first line to the fact that this discount schedule covers initial provisioning as well as follow on spares for all commercial end items. What is meant by follow on spares?

"Answer: It would be spare parts."

You remember so testifying?

A I remember making that mistake, yes I do. That was an error.

Q Did you correct this mistake in your deposition?

A No. I noticed it afterwards. This memorandum deals with units and units only and not spare parts.

Q In your testimony on Friday, Mr. Bollo, you were asked whether you reported the information contained in plaintiff's exhibit 17 to anyone at Pittsburgh Coke and you said the following --

MR. WILLIAMS: Give me the page please. (Addressing Mr. Abrams.)

Q (Continuing.) 554:

"Question: Now, to the best of your recollection did you ever report to anyone at Pittsburgh Coke the reduction of the discount rate which is discussed inthat letter?

"Answer: On the letter you just gave me?

"Question: Yes.

"Answer: Yes. They were kept informed.

"Question: Do you know who you might have discussed it with?

"Answer: No, I don't recall, really recall. But it had to be one of three. The logical person would be Mr. McDowell or Mr. Johnson. The third one, of course, could be somebody in their office in Pittsburgh. To answer your question who, I can't remember exactly who it was.

"Question: But about the time you may have made this report.

"Answer: Well, that I can't pinpoint either, but shortly after the receipt of the letter I would say maybe two weeks, three weeks maybe at the outside."

Mr. Bollo, as of April 1968 you hadn't even met Mr. McDowell, had you?

A I believe I had met him in Pittsburgh, I think, on one of my trips to Pittsburgh.

Q I think Mr. McDowell has testified that he didn't meet you or met you for the first time ~~in~~ until October of 1968?

A He didn't visit me in Garden City until along about that time.

Q I show you plaintiff's ~~ex~~exhibit 23 which is a letter dated April 11th, 1969 from Louis B. Young, President of the Bendix Corporation to you.

Do you remember receiving this letter?

A Yes, I do.

Q Last paragraph states:

"In the light of these considerations and with respect to our Navigation and Control Division's products for the 747, DC-10, and other new programs we have decided that as of 1 May 1969 we will serve the airlines after market on a factory-direct basis rather than through our distributors ..."

Didn't this mean to you that Standard would do no second generation jet business for Bendix Navigation and Control?

A Yes, it did at that time.

Q Wasn't the first generation business beginning to decline by this point?

A First generation business had slowed up somewhat, yes.

Q Wasn't the 747 and the other second generation business important to the future of Standard?

A If they got any products on the airplane it would have been.

Q Now, on Friday were you asked with respect to plaintiff's exhibit 23 whether you ever advised anyone at

Pittsburgh Coke or First Grant concerning the contents of this letter and you responded:

"I think they were informed of this too, the contents."

Now, is that your best recollection, Mr. Bollo?

A That was my best recollection on Friday. That would be my recollection today.

Q Now, in your deposition, Mr. Bollo, did you give the following answers to these questions? This is page 201 starting at line 8:

"Question: Did you tell Mr. Johnson or anyone at Pittsburgh Coke or First Grant after April 11, 1969 and on or prior to September 18, 1969 the information you had learned as a result of the Young letter to you of April 11th?

"Answer: Did I tell them what? The contents of this?

"Question: Yes sir.

"Answer: I don't know whether I specifically did or not. No, I couldn't tell you that.

"Question: You cannot tell me either way on that, is that right?

"Answer: I can't tell you whether I made a specific point of telling them of this particular transaction which is what I believe your question was.

"Question: I just want to make sure I understand your answer. You are saying you don't recall either way whether you told them or you don't recall that you did tell them?

"Answer: What I am saying is that I did not to the best of my knowledge make a specific point of telling them about this. I did not withhold it or I didn't tell them. That's what sticks in my mind."

Do you remember giving that testimony?

A Yes I do.

Q And was it true?

A Yes it was. A specific point in my estimation would be a telephone call direct to them, something of that nature.

Q Well, Mr. Bollo, as you sit there today, are you testifying now that you did make a specific point of telling them about it or you didn't make a specific point?

A I believe I said that they were aware of it. They were informed of it.

Q What do you mean by a specific point? Don't you mean that you didn't tell them?

A No. A specific point would be a letter to them, or a telephone call to them, or a telegram to them. I am saying I did no such thing. But since they were in and out and since they were on the phone two, three, or four times a week and we had conversations with this person and that person, somewhere along the line they became aware of it.

Q And who did you tell?

A I don't know. I don't know. My contacts were with -- primarily with Mr. Johnston.

Q Now, when you told Mr. Johnston did he say that this would have an effect on whether First Grant or Pittsburgh would buy the company?

A No, he did not.

Q Did he say he would have to refer this to his superiors?

A No, he did not.

Q Did he say this was an important consideration and we would have to look into it further?

A No.

Q Did not cause any commotion at all?

A At that time he was very concerned with his airline. They were in serious trouble. He asked for my help with many things. I think he was more concerned with his airline then he was with Standard Aircraft.

Q Mr. Bollo, I refer you to plaintiff's exhibit 8 which is Mr. McDowell's memorandum of May 13th, 1969 which says that at the May 9th meeting it was said that "Standard feels that it is in an excellent position on the 747 program."

Did you feel that way as of May 9th, 1969?

A Yes I most certainly did.

Q At the time of that meeting did you feel that Standard was in an excellent position with respect to Navigation and Control?

A No, Navigation --

Q With respect to the 747?

A No, Navigation and Control~~s~~ had long since been ruled off that airplane. In fact everything ~~he~~ they made.

Q Did you tell Mr. McDowell at that meeting or did you tell anybody at that meeting that you were in an excellent position as far as the Bendix Navigation and Control~~s~~ Division were concerned?

A Specifically I don't remember whether I did or not. But the things that were good were the electrical -- the energy controls business, and the Red Bank business. That was very good in the 747, Red Bank being the electric power division, change of name.

Q You have testified about end items or units that were affected by discount changes or not affected by discount changes. They were affected?

A They were affected by discount changes.

Q Isn't it a fact that Standard had to cancel over $700,000 in orders for these commercial end items with Pan Am?

A I do not know that that is the amount of money. I do not know that we had to. But I think we elected to do so because of the situation and the lack of profit.

(Continued on next page.)

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Q And that was because Bendix Navigation & Control, by cutting off Standard on the 747s, effectively wiped out your profit, your discount, and your profit, isn't that so?

A On Navigation and Control, did you say?

Q Yes.

A In what period? What time? What was the date?

MR. WILLIAMS: Would you mark this, please, as Exhibit 32 (addressing Clerk)?

THE CLERK: Twelve-page document marked for identification as Plaintiff's Exhibit 32.

(Document referred to, consisting of twelve pages was received and marked Plaintiff's Exhibit 32 for identification.)

BY MR. WILLIAMS:

Q I show you Plaintiff's Exhibit 32 which is a letter to Pan Am World Airlines dated May 9, 196~~7~~9. This letter is written by your brother. Have you seen this letter before?

A I can't say whether I had or not. There are a lot of attachments to it.

Q Well, it says that "in accordance with the instructions from the Navigation and Control Division of the Bendix Corporation in our recent telephone discussions, the following 747 orders are enclosed."

2 Now, Standard was returning those orders to Pan Am, in effect saying that you could not operate under those contracts? Isn't that so?

A That is right. And with the reduction in discount and the proposed two per cent cash terms, it was certainly the sensible thing to do.

MR. WILLIAMS: I offer it in evidence.

MR. BLUMSTEIN: I have no objection.

THE CLERK: May I have it, Mr. Williams? Plaintiff's Exhibit 32 now marked in evidence.

(Document referred to, having previously been marked Plaintiff's Exhibit 32 for identification was now received and marked Plaintiff's Exhibit 32 in evidence.)

BY MR. WILLIAMS:

Q If those orders had gone through without the reduction in discount you would have made about a hundred thousand dollars, would you not, on that deal?

A No.

Q How much do you think you would have made?

A Well, let's see, you said seven hundred fifty thousand?

Q Yes, over seven hundred thousand dollars.

A OK. The discount at the time I believe was forty-five per cent. And we would have gotten fifty, so we are talking about five per cent. Five sevens are thirty-five. It would be closer to thirty-five thousand, wouldn't it. And now we take two per cent off the thirty-five and what have you got? You are down to, I think it would be under -- about twenty-five thousand dollars actually.

Q I show you Plaintiff's Exhibit 20 which is a letter from Bendix Energy Controls Division dated October 30, 1968.

Did you receive this letter? It is addressed to your attention.

A Yes, I did.

Q Paragraph two of this letter notes a change in the discount rates. Do you see that?

A I do.

Q Isn't it true that this was a reduction of the discount from twenty-seven per cent of the price to the customer to sixteen per cent?

A Well, putting it the other way, it was a reduction from sixty per cent discount to us to fifty-four percent.

Q Were rotors and stators and linings a substantial part of the Energy Controls products that Standard sold?

A They were a substantial portion of the wheel and brake business that Standard sold.

Q Were you aware that these parts constituted eighty per cent of Standard's sales of the Energy Controls Division?

A I do not think the percentage was that high. It was high certainly. I think it was closer to sixty per cent.

Q Were you aware that Energy Controls sales through Standard for the years 1965 through 1967 totaled, according to our calculation, three million, nine hundred and twenty-one thousand dollars?

A For the whole three years?

Q Yes.

A Yes, that is approximately right.

Q And were you aware that the sales for 1968 alone totaled one million, seven hundred and sixty-nine thousand dollars?

A Yes.

Q Now, you say you disclosed this letter from Bendix Energy Controls Division to someone from First Grant Corporation?

A Once again, I believe they were informed, yes.

Q And who did you tell this to?

A Who did I tell? It would have been Johnston, Mr. Johnston.

Q When did you tell him?

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A Oh, I don't know. Mr. Johnston, Mr. McDowell, and possibly Mr. Adams. And when? It would be some time after October 30th, 1968.

Q What did they say to you about it? Was there any discussion about it at all?

A Yes, in this particular case I believe we were going to make it up in volume to other people. And I so told him.

Q Did you hear Mr. Johnston testify that he had not been told anything about this?

A Yes, I did.

Q Was that inaccurate or untruthful testimony?

A I can only give you my testimony.

Q Did you prepare any handwritten memorandum of any sort with respect to the disclosure to these gentlemen of any of these items of information which you have designated were important items? Did you keep any record of it at all?

A Do I have a handwritten record of it?

Q Any kind of a record.

A I certainly don't have it in my possession. I may have had it in Standard's office. I have no way of telling whether it is there or not or whether we do have it. But the custom in a telephone conversation was for me to make handwritten notes, yes.

Q Have you looked for such notes?

A They are not there as I understand it. I understand Standard couldn't find any of my notes.

Q Now, you testified on Friday that a reduction discount was a common practice when a new airplane was introduced? Isn't that so?

A That is right.

Q You said on Friday that that had occurred with respect to the 707 and, I believe, the BAC 111, which is a British airplane?

A Yes, right, a British airplane.

Q Is that correct?

A Yes.

Q Now, on those occasions weren't you told that the reductions would be temporary?

A No. It was implied that they would. And it worked out that they came back to normal again.

Q You testified in your deposition that the indications were that those reductions would be temporary?

A Right. I said -- I implied -- they implied that much, which I think is the same thing.

Q Now, were you told when you received each communication from the Bendix Company in 1968 that the cut in discount would be temporary?

A Not in so many words, no. But the excuse they gave made it appear that that would happen.

Q On your deposition when you were asked that question, didn't you answer no, that you were not told?

A I just said I wasn't told.

Q Let me read it to you, on Page 195. Do you remember giving these answers to these questions:

"Question: At the time that you were asked to handle the unit at no discount with respect to the 707, was any indication given you that that policy would later change?

"Answer: Oh, yes. The indication was that they would go back to normal after they had handled the initial provision~~,~~ing of the airlines.

"Question: Was that told to you by Mr. Tildon?

"Answer: To the best of my recollection, yes.

"Question: Do you recall if Mr. Tildon wrote it to you?

"Answer: I don't think he did. He might have. I don't think so. It was verbal.

"Question: How about the BAC 111? What is that, first of all?

"Answer: It is a British airplane. ~~that~~ It was sold in this country.

"Question: Approximately what year are we speaking of now?

"Answer: About the same time, more or less, late fifties.

"Question: What happened with respect to that plane?

"Answer: The same thing.

"Question: You were asked to handle units at no discount?

"Answer: Yes. In other words, the —— sold them to the airlines either direct or through the distributor at no discount and that was changed after the initial provisioning was accomplished.

"Question: Who did you deal with with respect to this matter?

"Answer: I think it was Tildon, although it could have been somebody else because the BAC 111 came into existence after the 707, somewhat after, and I think he died in there some place —

"Question: Did Mr. Tildon indicate to you or whoever it was? ——

"Answer: Whoever it was.

"Question: At the time that you were asked to handle the units of the BAC 111 at no discount that, that ~~the~~

policy would change?

"Answer: This was pretty much considered common practice, yes.

"Question: I am asking you now whether Bendix told you in words or substance that the likelihood was that the policy would change?

"Answer: Yes, Bendix being Navigation & Control~~s~~.

"Question: Yes, sir. I am speaking only of Navigation & Control~~s~~.

"Answer: Yes.

"Question: Navigation and Control did not tell you that in words or substance with respect to the 747, is that right?

"Answer: No, no."

Do you remember giving that testimony?

A Yes.

Q Was it true at the time?

A Yes.

Q Is it true now?

A Yes.

Q On Friday you testified with respect to Narco. What products did Narco manufacture?

A Narco manufactured radio, radio products, including several types of instruments that were used in connection with radio.

Q Now, this was used by general aviation?

A Yes, general aviation.

Q But no airlines purchased any Narco products?

A Well, no, not really.

Q Not from you anyway?

A (No response.)

Q I say, no airline purchased any Narco products from you?

A Not up until 1969, no.

Q Now, all of these Narco products, as you have said, were for the general aviation market?

A That's right.

Q And how many customers are there in the general aviation field?

A How many customers? Thousands.

Q They are all smaller than the airlines are? Most of them are smaller?

A Most of them are smaller than the big airlines. There are some small airlines that are, of course, bigger than a lot of the others.

Q So if you were selling Narco products to the general aviation field you would have to have a lot of salesmen to get around, would you not?

A We have a lot of salesmen to get around.

Q And the cost of selling the line was substantial, wasn't it?

A No, it wasn't. The cost was already there. We were already selling other products. The cost would not be materially increased with the sale of Narco.

Q You spoke in your testimony on Friday of insurance items and the inventory. That constituted a very small percentage of your inventory, didn't it?

A Not a large percentage, no.

Q No record was kept of them as such?

A Yes, we knew they were there.

Q Yes, I know, but did you denominate them as insurance items and keep a separate record?

A No, they weren't so marked, but I think everybody in our office knew what an insurance item was.

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Q I think I asked you if you remember hearing Mr. Bonar's testimony with respect to what he says you told him about inventory.

Did you tell Mr. Bonar anything about these other letters and the telex, these other exhibits we've given you?

A Mr. Bonar was in to find out about the business and --

Q Excuse me. Did you tell him about any of these exhibits which we have showed you, with respect to which you've testified?

A Let me say this. I gave him a thumbnail of what was going on with the business. That should have included and did include all of these things.

Q Did you hear Mr. McDowell deny that you had told him any of these facts with respect to the --

A That I told Mr. Bonar?

Q The cut-off of Whittaker, the reduction discount from Bendix?

A I heard him, yes.

Q Was that testimony untrue?

A No. I testify for myself. If that was his opinion, he has a right to it.

MR. WILLIAMS: I have no further questions.

MR. BLUMSTEIN: Just one or two, if your Honor please.

REDIRECT EXAMINATION

BY MR. BLUMSTEIN:

Q Mr. Bollo, you left Standard, I think you said, in October of 1970?

A That's correct.

Q What did you take with you when you left, by way of documents, documents, materials, writings, papers?

A I took only personal things which I had in the safe. Actually the safe I had bought personally, many, many years ago and I was the only one, I think, that had a combination -- well, I gave my brother Jerry the combination, but I don't think he ever used it.

I kept in the safe Standard Aircraft documents of all ~~times~~ Kinds and in a little corner some private things of my own.

Q Between the time that you left and October of 1971 and the dates when your deposition was taken in this action, October 28, 1971, October 29, 1971, May 3rd, 1972, did you have any occasion or any opportunity to review the documents that were shown to you at those sessions of the deposition?

A No.

3 MR. BLUMSTEIN: No further questions.

MR. WILLIAMS: I have no questions.

THE COURT: That's all, Mr. Bollo. You may step down.

THE WITNESS: Thank you.

MR. BLUMSTEIN: Your Honor, could we take just a very short two minute recess?

THE COURT: I do not think that is realistic. I think we had better make it ten.

MR. BLUMSTEIN: Five minutes.

THE COURT: Make it ten. Experience is teaching me a few things around here.

(Recess taken.)

MR. BLUMSTEIN: Mr. Peter Bollo, please.

PETER BOLLO, called as a witness, having first been duly sworn by the Clerk of the Court, took the witness stand and testified as follows:

DIRECT EXAMINATION

BY MR. BLUMSTEIN:

Q Mr. Bollo, you're the son of Louis Bollo; is that correct?

A Yes.

Q How old are you?

A Thirty-five.

Q What's your present occupation?

A I'm self-employed, in the aircraft parts industry.

Q What do you presently do in the aircraft parts industry?

A I buy and sell spare parts.

Q When you say "self-employed", do you have a business which engages in those activities?

A Yes, I do.

Q Is it incorporated?

A Yes.

Q How long have you had that business?

A About three and a half years.

Q What did you do -- what's its name, by the way?

A Airvionics.

Q Could you spell that?

A A-i-r-v-i-o-n-i-c-s.

Q All right.

What did you do before you got into this particular business?

A Well, I worked for Standix Aircraft, which was a division of Standard Aircraft.

Q How long had you been with Standix?

A Since about 1965.

Q What did Standix do?

5 A Standix bought and sold aircraft parts, instrument parts, including the end units and also the repair-type spare parts.

Q How did the parts that Standix dealt in differ from the kinds of material that Standard Aircraft itself was dealing in?

A Well, first of all, Standix had more latitude. It bought surplus parts and sold them to people who knew the nature of the parts, that they were not fresh from the factory.

Q What about used parts?

A Well, used parts would be parts that were sent to an FAA repair shop and would be tagged as being FAA certified and we sold units in that respect.

Q You were with Stand~~ard~~ix from 1965 until when?

A Until early in 1971. February, I believe.

Q During that period of time, what was your relationship or connection with the parent company, Standard Aircraft?

A Well, very little. My relationship personally was, there was -- there was no -- no real connection, except that we were both trying to do the same thing, which was to sell aircraft parts and earn -- and do it profitably.

Q What was your position in 1969 with Standix?

A In 1969? I was the vice-president of Standix.

Q During the years 1968 and 1969, did you ever meet representatives of Pittsburgh Coke or First Grant Corporation?

A Well, you're putting a date on it and I don't--
I don't recall.

I know I did meet people from Pittsburgh or from the Pittsburgh Coke Company. When I'm not sure. I don't remember the dates.

Q Can you tell us who you met?

A Yes. I met with Jim Stoll. In fact, in terms of Standix Aircraft, Jim Stoll was the one who I spoke with and who I answered questions for.

I also met a man named Mr. Kirby. I don't remember his first name.

As far as I know, that's about it.

Q Did you ever meet anybody by the name of Rodney Bonar, B-o-n-a-r?

A I don't recall ever having met Mr. Bonar.

Q Let me ask you this. Did you ever discuss the inventory write-off policies of Standard Aircraft with any representative of Pittsburgh Coke or First Grant Corporation?

A Well, I never discussed them with anybody at Standard Aircraft, so I did not know the -- the inventory policy at Standard Aircraft. I was not -- I don't know.

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Q That wasn't my question, sir.

My question was, did you ever discuss them with any representative of Pittsburgh Coke or First Grant Corporation?

A No, I did not.

Q The answer is "no."

Let me get more specific and direct your attention to the month of July, 1969. Let's see if this may refresh your recollection.

Did you at any time during the course of that month ever discuss the inventory write-off policies of Standard with any representative of Pittsburgh Coke or First Grant Corporation?

A I did not, because I didn't know the policies.

Q I see.

Let me ask you this. Did you ever say to any representative of Pittsburgh Coke or First Grant Corporation that Standard had a rule pursuant to which it wrote off inventory as to which there had been no sales or inquiries for a two-year period?

A No.

Q One last question in this area. Do you ever recall any representative of Pittsburgh Coke or First Grant informing you that he had been advised that there was such a rule and do you recall confirming the existence of such a rule?

A No, I'm sure I did not.

Q Did Standix on occasion ever sell material from Standard's inventory which was, according to Standard's records, NIV, that is, no inventory value?

A Yes, I did.

Q Can you tell me, sir, the circumstances under which such sales might have been made?

A Well, it was quite simple. If I got an inquiry for a part, I would check my own inventory and if it was not there, I would check the Standard Aircraft inventory. If the card showed it in inventory, I would direct the customer to Standard Aircraft. If the card said, "NIV" on it, then I -- it indicated to me that I had -- I could sell the part. So I would remove it from the stock and it would be written off the inventory card and sold through Standix.

Q What would be the reasons why someone would want something which was NIV in Standard's inventory?

A I'm sorry?

Q Let me go about it this way. Is it your understanding that the NIV material in Standard's inventory was usually parts and supplies which had not -- as to which there had not been any sales for a considerable period of time?

A I don't know. The card said "NIV" on it. I knew that I had permission to sell it.

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Q I see.

In fact, you did make such sales?

A Yes, I did.

MR. BLUMSTEIN: All right. I have no further questions.

MR. ABRAMS: We have no questions, your Honor.

THE COURT: You may step down.

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MR. BLUMSTEIN: Mr. Holstrom, please.

CARLTON HOLSTROM, having been first duly sworn by the Clerk of the Court, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BLUMSTEIN:

Q Mr. Holstrom, what's your present occupation?

A I'm a general partner of Bear, Stearns & Company.

Q And how long have you been a general partner?

A Since May of 1973.

Q Did you hold any position with Bear, Stearns prior to becoming a general partner?

A Yes, from January of 1969 until May of 1973, I was a vice president in the corporate finance department.

Q What is the business of Bear, Stearns?

A Bear, Stearns & Company is international investment banking and brokerage firm.

Q Let me ask you a few questions about your education. Can you tell us where you got your college degree?

A I graduated from the University of Wisconsin with a Bachelor of Science in Economics.

Q What year?

A 1957.

Q Post-graduate degrees?

A Yes. I hold a Master of Arts degree in Economics from Rutgers University.

Q Now, prior to coming to Bear, Stearns, can you give us a description of what you were doing?

A Yes. After I graduated from Rutgers in January of 1962, I joined the Irving Trust Company in their training program. I completed the training program approximately 18 months after I had joined the bank.

Thereafter, I became an officer in the national division. Initially, with loan review responsibilities and subsequently with new business and loan origination responsibility in the mid-western states.

Q How long were you with Irving Trust?

A From 1962 until early 1966.

Q What did you do after that?

A In early 1966, I joined Bank of the Commonwealth in Detroit, as vice president in charge of the national division.

Q What were your responsibilities there?

A My responsibilities there were to direct the activities of the division which was responsible for new business and ledning activities in the geographic areas outside of the State of Michigan.

Q How long were you with the Bank of Commonwealth?

A Until I joined Bear, Stearns & Company, in 1969.

Q All right, sir. Would you tell me what your responsibilities are at Bear, Stearns?

A At Bear, Stearns & Company, I have supervisory and production responsibilities in the areas of public financing, private placement of securities, mergers and acquisitions, appraisals and evaluations and venture capital investment or other investment for the firm's account.

Q You said before that you had supervisory and production responsibilities.

What do you mean by production responsibilities?

A By production responsibilities, I mean that my responsibilities are not wholly supervisory and that I'm directly involved in the work effort relating to conducting an appraisal, for instance, or placing securities privately or public~~al~~ly.

Q Now, in the course of discharge of your responsibilities at Bear, Stearns, do you ever engage in the evaluation of securities?

A Yes, I do.

Q And for what purpose, sir?

A I engage in the process of evaluation of securities for several different purposes. For instance, it is, of course, always necessary to arrive at a suitable value for a security when one is contemplating offering securities to the public.

We are also -- when I say we, the firm invests in companies for its own account and we are involved in the process of evaluating the securities of companies which we might propose to invest in or acquire.

In addition, we are called upon to make appraisals of companies or of stock and in connection with merger negotiations, we are often placed in a position where it's appropriate to make a judgment as to the value of a company or its securities.

Q I take it, from what you have said, that these valuations that you make are sometimes done for clients of the firm?

A Yes, sir.

Q But sometimes they are done for the firm's own account?

A Correct.

Q Could you give me an instance where you would make -- be making the valuation for the firm's own account?

A Without using names, I could give you an instance. We are presently considering making an investment in a company that is a division of another company and we have found it necessary, of course, to evaluate what that company is worth and what within a reasonable range we would be prepared to pay for the company were we to buy it.

Q I take it that some of your evaluation work has been done for public companies?

A That is correct.

Q Some for ~~fore~~closed companies, private companies?

A That is correct.

Q When you engage in one of these evaluations, one of these evaluation projects, can you give me some idea~~m~~ of how long it may take you from the time that you start out to the time that you finish up?

A I would say that the range would be from a minimum of approximately 30 days if all of the necessary information were readily available, and the analysis would be reasonably simple, to perhaps 90 days or more, on more complex evaluations.

Q During the time that you've been at Bear, Stearns, can you give me one, two, or three of the more significant projects you have worked on, at least from the point of view of view of dollar volume?

A Certainly, I've been involved in a number of situations, among the more significant of which would be a $50,000,000 public financing for one of my clients about a year and a half ago. A $30,000,000 secured private financing for one of my clients approximately twelve months ago. In that particular situation, the loan was based on the value of a company that was being assigned as collateral to the lender.

I was involved in the sale of an insurance company for approximately $30,000,000 two or three years ago. Been a number of public financings in the last twelve to eight -- twelve to thirty-six months, I'm sorry, that probably aggregated, oh, a hundred, a hundred fifty million dollars.

Q Now, prior to your engagement in connection with this case, had you ever had any valuation experience in connection with a company in the aircraft parts supply business?

A No, sir.

Q I take it that since the time of the retainer you've done some work and read some materials in this field?

A Yes, sir.

Q Have you read anything or have you heard anything which would suggest to you that you are not -- well, let me rephrase the question.

Have you read anything or heard anything which would, in your opinion, not permit you to value that kind of a company as you would any other business?

A No, sir.

Q Now, do you recall when you were retained in connection with this particular case?

A Approximately September 23rd.

Q And what was the scope of the retainer? What were you asked to do?

A We were asked to be prepared to testify on September 30th with regard to the methodology being used by Mr. Carolla in evaluating the securities of Standard Aircraft.

Q Has anyone else at Bear, Stearns assisted you in connection with the work that you have done?

A Yes, sir.

Q Could you tell me who?

A My partner Gilbert E. Matthews and my associate Judy Steinberg.

Q So, I take it all three of you have worked on this particular project?

A That's correct.

Q Can you tell us in general terms what the team did?

A Yes. We reviewed certain information that had been provided to us by your firm.

Q Right.

A We conducted an analysis and prepared some data on Standard Aircraft and its principal competitors. We made use of certain other information that was in our possession that appeared to be relevant to this -- to our engagement in this proceeding.

In addition, we had a number of discussions among ourselves as to what, in our opinion an appropriate approach to arriving at a value for any company might be.

Q All right.

Now, you mention that you have studied certain materials that we had supplied to you.

Can you tick off for me what those materials were?

A Certain depositions given by Mr. Bollo. That's Louis Bollo. The deposition of Mr. Carolla. The amended complaint. Financial statements of Standard Aircraft for the period 1965 through 1969. The financial statements, 10-K reports and 8-K reports of certain competitors of Standard Aircraft.

Certain correspondence between Standard Aircraft and other parties. I can't recall whether there was additional information.

Q Do you recall whether you saw the 1959 Standard--

A I saw the 1959 Standard Aircraft prospectus.

Q You mentioned before that you had received certain information with respect to Standard's competitors.

Which companies were you referring to?

A Van Du~~z~~sen and Southwest.

Q Any others?

A Not to my recollection.

Q What about PAC and Air Work?

A There may have been information provided to us on PAC and Air Work. However, they had been acquired by another company prior to the period in question.

Q All right.

Now, you said that in addition you did something in your shop in connection with your investigation and analysis.

Can you tell us what you did there?

A Yes. As I indicated earlier, we prepared an industry comparison that provided us with certain analytical tools to use in our -- in the development of our testimony.

In addition, I read some articles on the condition of the aerospace and airline industry during the period in -- of late 1968 and early 1969 and I interviewed Mr. Gerald Flemming.

Q Who is he?

A Mr. Flemming is our aerospace analyst and is a recognized analyst in the field. In fact, he recently received recognition as being one of the top three or four aerospace analysts in the Wall Street community at present.

Q He works for Bear, Stearns?

A He works for Bear, Stearns & Company.

Q Okay.

Is that about it, in terms of what you did?

A Yes, I would say so.

MR. BLUMSTEIN: I'd like to have four exhibits marked for identification.

THE CLERK: Do you want them all separate?

MR. BLUMSTEIN: Yes, please.

THE CLERK: A one-page document marked for identification as Defendant's Exhibit NN.

(So marked.)

THE CLERK: A four-page document marked for identification as Defendant's Exhibit OO.

(So marked.)

THE CLERK: Another four-page document marked for identification as Defendant's Exhibit PP.

(So marked.)

THE CLERK: A six-page document marked for identification as Defendant's Exhibit QQ.

(So marked.)

THE CLERK: Do you have copies for the Judge?

MR. BLUMSTEIN: Yes.

BY MR. BLUMSTEIN:

Q Let me show you Defendant's Exhibit NN and for the moment just ask you this question:

Is this something that you prepared in connection with this particular assignment?

A This was prepared in my office. I didn't prepare it personally.

Q But it was prepared in connection with your assignment in this case?

A Correct.

Q Would you look at the other three documents, OO, PP and QQ and tell me whether this is material you examined in connection with this assignment, which had previously been prepared by people in your office in connection with another litigation?

A That's a correct statement .

Q Okay.

I'll come back to these later. By the way, were you here in court when Mr. Carolla testified?

A Yes, I was.

Q What about when Mr. Christopher testified?

A Yes.

MR. BLUMSTEIN: Okay. Your Honor, it's a quarter to 1:00. I'm about to go to a new area. Would this be a good time to break for lunch?

THE COURT: You'd like to go to the luncheon area?

MR. BLUMSTEIN: Yes, I would.

THE COURT: Fine. We will return here at 2:00.

MR. BLUMSTEIN: Right. Thank you.

(Luncheon recess taken.)

AFTERNOON SESSION

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2:00 o'clock P.M.

CARELTON HOLSTROM, called as a witness, having previously been duly Sworn, resumed the stand and testified further as follows:

DIRECT EXAMINATION

BY MR. BLUMSTEIN: (continued)

MR. BLUMSTEIN: May I proceed, your Honor.

THE COURT: You may.

BY MR. BLUMSTEIN:

Q Mr. Holstrom, you told us before lunch that you had read Mr. Carolla's deposition, and you have heard his testimony on the witness stand during the course of the trial?

A That is correct.

Q Would you give us your understanding of what Mr. Carolla did to arrive at the value of the shares of Standard?

A It is my understanding that Mr. Carolla was given a number of a sumptions with which to work, and that based on these assumptions, he concluded that book value was the appropriate method of valuing the securities of Standard Aircraft.

Q Now, do you have an opinion concerning the validity of Mr. Carolla's opinion with respect to the evaluation of shares of Standard Aircraft?

A Yes, I do.

Q Could you give us your opinion, sir?

A In my opinion, Mr. Carolla's approach was simplistic, and not in accordance with the conventionally used techniques in the investment community, or by companies expecting to acquire or negotiating to acquire other companies.

Q Well, you said "conventional techniques in the community"? Is that the language that you used?

A Yes.

Q Could you describe for us what these conventional techniques are?

A The conventional techniques would involve the careful analysis of all of the relevant risk factors that may be associated for this certain business. And after a careful analysis of these considerations, develop an analysis of the flow of earnings that would be derived from, or producted by that business, and an appropriate value would then be placed on the flow of earnings that would be derived.

Q Can you give us some indication of some of the factors that you would take into account in trying to evaluate or develope a flow of earnings?

A Yes, I can. We would review the historical operating performance of a company.

Q For how or how far back would you go in that area?

A Well, we would go back as far as we could up to perhaps five or seven years. I think five years is fairly and conventionally used. Three years is used as a minumum measure of historical performance.

Q Okay. Can you go on from there?

A We would consider the values being attributed to the company in the marketplace, and other companies that are comparable to it. If their securities were publicly-traded, we would consider the risks inherent in the business. We would consider the general economic climate in which that company was operating. We would consider the nature of the company's balance sheet, and its ability to support its earnings and future earnings. We would consider the future earnings and expectations of the company. We would consider the relationships that a company had with its customers and its suppliers.

If the company were in the manufacturing business, for instance, we would consider its plant and equipment.

Q I suppose, depending upon the particular company you were evaluating, there might be numerous factors you would take into account?

A Indeed. It depends upon the particular situation.

Q What about the buyers' objectives and expectations with respect to the acquisition?

A Certainly the buyers' expectations and objectives would be a consideration.

The seller's objectives would, of course, similarly be an objective.

I think, for example, a company that was already in a given business might feel that they could derive certain efficiencies by virtue of acquiring the additional market for the product that they manufacture. Or conversely, the company that was not in the business might be willing to pay a premium for what we would call the cost of entering, in order to become a factor in a given industry.

Q Now, you have talked about a number of things you would investigate in connection with measuring the flow of earnings. What do you do in terms of conventional techniques after having made some determination as to the flow of earnings, as a price you were going to pay?

A Well, after you have conducted an evaluation of the flow of earnings which would lead you to some conclusions as to what the quantity and quality of those earnings were likely to be over the foreseeable future, we would most likely -- We would -- Simply stated, put a price earnings multiple on that flow of earnings to establish a suitable price that we might be willing to offer for those securities, or for that company.

Q Well, how do you go about arriving at the price earnings multiple?

A Well, the price earnings multiple is influenced by a number of factors. It is certainly influenced by any existing market for the company's securities, and the securities of comparable companies. It is influenced by the buyer's expectations in that the amount of premium that one is willing to pay over the stated market, which is ordinarily necessary, would be determined by, to some extent, how anxious the purchaser was to acquire those securities.

I think of a factor that would influence price earnings multiple that one might put on securities is whether they represent control of the company or a minority interest in the company, control being generally held to have a larger value than a minority interest would.

Q You said before that these are the conventional techniques that are used in the investment community.

Can you explain to me, sir, what the reason is why these techniques are used, as opposed to some other kind of techniques?

A Well, th~~is~~ese techniques ~~is~~ are generally used because the investor is ordinarily evaluating a prospective investment on the basis of what his expectations of return are, and his expectations of return are measured in a sense by the price

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earnings multiple that he is willing to pay for the securities of that company.

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Q Now, what is your understanding with respect to whether Mr. Carolla did or did not use the conventional techniques that you just described?

A It is my understanding that he did not.

Q Let me show you Defendant's Exhibit Q in evidence of Mr. Carolla's notes. Would you look at the last page of those notes. Do you recall Mr. Carolla's testimony that this was a mental exercise that he went through?

A Yes, I recall that testimony.

Q Is that what you have just been describing in terms of the application of conventional techniques to the evaluation of the shares of Standard?

A Well, that's a little hard to tell. I would say that this might be the, you know, very early stage of the construction of such a methodology. It is not, you know, by any means complete. But it appears that he might have been moving in that general direction.

Q How far did he get?

A He got as far as what appears to be operating profit before taxes of some eighty-seven thousand dollars.

Q You have been describing in general terms the conventional techniques that would be used or are used in security evaluation. Let me put the specific question to you. Suppose that Pittsburgh Coke or the First Grant Corporation

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retained you in 1968 or 1969 to make an evaluation of the shares of Standard, what kind of investigation or what kind of information would you have requested or what would you have done?

A Well, based on my knowledge of Standard, I would have carried on an analysis that would include the following:

As I said earlier, I would have reviewed the historical financial data. I would have attempted to examine what the earnings potential was of the company, what the expectations of management were. In that regard, I would have wished to examine the major contracts of which the company was a party, the major leases, if any. I would have wished to verify the nature of the relationships with suppliers and with customers.

Q What do you mean by verify the nature of the relationship with customers and suppliers?

A Well, what I mean by that is I would want to determine whether for instance distributorship contracts existed with suppliers.

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Q Right.

A As I understand the nature of the relationships with Standard's suppliers, they were terminable on relatively short notice and, therefore, I think given that set of facts, I would have wished to -- I would have wished to make direct inquiries of the suppliers, as to what the nature of the relationship was with Standard.

Q Well, suppose you were told by Standard's management that the relationships with suppliers, regardless of the contractual provisions, depended upon a personal element in that they've been doing business for a long number of years and they knew each other well and so forth and so on? What inquiry would you have made under those circumstances?

A Well, that would have reinforced my desire to make a direct inquiry of the suppliers and investigate thoroughly what the probabilities were of being able to retain these personalized relationships for the foreseeable future. I would have tried to discuss it. I would have attempted to discuss it with the key executives at the supplier companies.

Q All right. I interrupted you. You were talking about the things you would have done.

A Well, I similarly would have wished to investigate the nature of the relationships with major customers and to determine, to the best of my knowledge, whether there was a

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proprietary aspect to these relationships or whether they were personalized in nature and what alternatives the various customers had to Standard, how they viewed Standard's service.

Q What about the --

A I could go on.

I'd also be very much interested in the physical location of Standard's facilities and the relationship of those physical locations to the locations of the principal customers.

Q What about the objectives of your -- or, the investment objectives of your client in this case, that is, Pittsburgh Coke or First Grant? Would you have inquired about those?

A I would have expected to have been informed at the point of being engaged by my client as to what his objectives were and we would then have attempted to determine for him whether or not it would be possible to make an acquisition of Standard that would be consistent with his objectives, or we might suggest to him a certain range of prices within which he might consider negotiating. If no price had been established.

Q Would it be of any significance to you that at the time you were asked to make this evaluation Pittsburgh Coke or First Grant already held a minority interest in

Standard?

A Yes, that would have been of interest to me.

Q Could you explain that?

A Generally speaking, a minority interest in a case where control rests in the hands of another party is of a lesser value than the controlling interest, and I would think that in advising First Grant one of the considerations would be to what extent should we be influenced by a desire to protect the value of our minority interest.

Q Well, would it have been of any significance to you that there was a possibility that the controlling interest might pass to some third person?

A Yes, that would have been of interest to me.

Q Why would you have been interested in that?

A Well, similarly, I would have been interested in that because I think we would have wished to weigh the influence that that should have on any proposal we might make to acquire the controlling block in that if somebody else acquired the control block, the value of our minority position might be depreciated.

Q Turning back to the conventional techniques that you were talking about a minute ago, in connection with the application of these techniques, what consideration do you give to the balance sheet of the company?

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A We give consideration to the balance sheet of the company in any comprehensive analysis of a proposed acquisition. The principal factor that we would be concerned with in analyzing the balance sheet is the influence that the balance sheet has on the ability of the company to produce its flow of earnings.

Q Can you amplify that for me a little bit? What is there on the balance sheet that might influence the flow of earnings?

A Well, the amount of capital that the company has to work with, the amount of debt that it has, the capacity that it has to incur additional debt to finance growth, whether or not the company is overcapitalized, has excess cash, for instance, and, therefore, might be in a position to effectively reduce the purchase price by applying part of its own cash to the acquisition.

The character of the assets of the company; that is, the liquidity, percentage of the assets that might be in cash, might be in receivables, might be in inventory as opposed to --

Q You said "liquidity". In terms of balance sheet assets, what's the most liquid asset a company can have?

A Cash.

Q After that?

5 A Marketable securities.

Q After that?

A Generally, accounts receivable. They're supposed to be.

Q After that?

A Inventory.

Q OK. How do fixed assets range on that list, toward the bottom?

A Generally, fixed assets are considered to be illiquid assets.

Q What about real estate?

A Real estate is considered to be in that particular -- not particularly liquid assets.

Q You were talking about the balance sheet. Is there anything else you have to say in that connection?

A I was going to say that the percentage of the assets in each of these liquid categories as opposed to the percentage of the assets that might be invested in, fixed assets or goodwill, for instance, which is not very liquid.

Q In connection with the valuation of an ongoing business, what consideration, if any, do you give to the book value or net worth as shown by the balance sheet?

A Well, in considering the value of an ongoing business, again the book value, in this case we are talking about book value per share?

Q Sure.

A You might refer to it as the net worth of the company. It is one of the components of the capital structure which influenced the ability of the company to produce a flow of earnings.

Q Yes.

A So we would consider it, you know, to the extent that it influenced the ability of the company to produce this flow of earnings.

Q Well, I take it you -- in your experience, you have found that, sometimes, that there are companies which sell above book value, sometimes at book value and sometimes below book value; true?

A That's correct.

Q What is the relationship between book value and the actual prices at which these companies sell?

A Well, in my experience, there is no particular relationship, except occasionally a coincidental relationship, that market value or the price at which a company might sell could work out to be its book value, except in instances where a proposed purchaser had an intent to liquidate.

MR. ABRAMS: May I have that answer read back again, please?

THE COURT: Read it, please.

(Record read.)

A (continuing) If that answer seems a bit obtuse, what I intended to say was that a valuation established on the basis of flow of earnings might coincidentally work out to be book value.

Q Or below book value?

A Or below book value, or above book value.

Q Now, in connection with your examination of the balance sheet, let's turn specifically to the item of inventory. What role would that play in terms of the conventional techniques that you've been describing?

A I'm not sure that I understand your question. It's one of the assets with which a company is working.

Q What consideration would you give to inventory? What would you try to find out about inventory, how would it relate to your general approach to the problem?

A Again, I would be interested in establishing what the quality of the inventory was and determining what effect, if any, any deviation from -- well, that's not a good word. Any different valuation might have on the flow of earnings.

Q By way of opinion, have you come up with a number as to the value of Standard Aircraft stock on any given date?

A No, I have not.

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Q Can you tell me why not, sir?

A Well, in the first place, at the time we were engaged for this transaction, it didn't appear that we had sufficient time to conduct such a sufficiently thorough examination to establish a price for the securities.

And secondly, we weren't asked to come up with such an opinion.

Q OK. Let me ask you this. Do you have an opinion as to whether the value of Standard's stock, let us say at the end of 1968 or in September of 1969, given the assumptions that Mr. Carolla made, was in excess of the book value of that company?

A Yes, I do.

Q Could you tell me what that opinion is, sir?

A In my opinion, the company would have had a value of in excess of its book value.

MR. WILLIAMS: Could I have that read back, please?

THE COURT: Read it, please.

(Record read.)

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DIRECT EXAMINATION

BY MR. BLUMSTEIN: (Cont.)

Q Could you give me the basis for that opinion, sir?

A That opinion is based on the fact that Standard, as I understand it, was a going business at the time, a going concern, that it had a sales and marketing organization. It had locations in several places around the country. It had relationships with customers. It had relationships with suppliers. It had a management organization. It had an inventory and it had a system of retrieving units from that inventory.

In addition, it had a balance sheet that was substantially invested in liquid assets, which I think could be presumed to have -- let us assume that they were worth what they were stated for on the balance sheet and that, therefore, the going concern value, if you will -- I'm sorry. Let me go back just a moment.

That the bulk of the net worth or the bulk of the capital of the company was invested in relatively liquid assets, that is, cash, accounts receivable and inventory, which could -- which one could expect to liquidate at their face value, let's assume.

And that as opposed to a situation where a company might have a large investment in plant equipment, which may or may not be generating a flow of earnings that would justify a higher value.

I would think that the value therefore of these other aspects of the business that I have discussed would tend in this situation to be add~~a~~itive to the book value of the company.

Q Now, did any part of the investigation that you and your associates conducted in connection with industry comparisons and so forth have to do with the question of what the value of Standard's shares were with respect to the book value of the company?

A Yes.

We were aware of what the market value of the shares of Standard Aircraft were relative to their book value at the points in time that you have referred to.

Q Let me turn to Defendant's Exhibit NN for identification, a document that is headed"Industry Comparison."

My first question is: Can you tell me the sources of data that you used to set forth the numbers that appear on that document?

A Yes- I can.

Q What were they, sir?

A They were published information available to the general public, including the Standard & Poor's Stock Guide, the Moody's Reference Manuals, Moody's Financial Manuals, the financial statements of the companies themselves, as they had been published prior to these dates.

Q Let's take this exhibit and --

A There is a third one called, I think, it's the ISN Daily Stock Guide.

Q Let's take this exhibit and let's go through it line by line and I'd like to have you explain for me the information that appears on it. The first entry is price range, 1968 and you've got three columns: Standard Aircraft, Southwest, Van Dusen.

What does that column represent?

A The market price for the stock during 1968.

Q As determined from what source?

A As determined from the Standard & Poor's Stock Guide. In some instances, from the IS -- I think it's called the ISN Daily Stock Summary. In one instance.

Q Now, the next column is price, 12/20/68. You've got three prices. Does that come fromthe same source or sources?

A No. That came from the Daily Stock Guide.

Q Right.

Now, --

A Daily Stock Summary.

Q The next entry is latest twelve months EPS, through 12/20/68.

What does that mean?

A That is the latest twelve months earnings per share as most recently reported for each of these companies. to the period closest -- the most recent period prior to December 20, 1968.

Q What do the letters FD mean?

A Fully diluted.

Q Fully?

A Fully diluted. They refer to a computation of the earnings per share giving effect to convertible securities that were outstanding in those companies at the time.

Q Now, next is book value per share. How did you calculate that?

A We calculated --

Q What sources did you use to get the numbers from which you made that calculation? That's really the question.

A We used the published financial information on each of these companies and derived the book value by dividing the number of shares into the net worth of the company.

Q Now, you say in the next column Price/Latest Twelve Months, and then you've got a series of numbers?

A Right. Those are the price earnings multiples, based on the most recent twelve months earnings per share.

Q And I take it that is the relationship between the price at which the company was selling on the market and its earnings per share?

A That is correct.

It's the price divided by the earnings per share.

Q Right.

The next one, price book?

A It is the price divided by the book value, as calculated.

Q Now, the remainder of the exhibit, I take it, involves similar calculations for the year 1969?

A That is correct.

Q All right.

Based on the same sources?

A That is correct.

MR. BLUMSTEIN: I will offer Defendant's Exhibit NN.

MR. ABRAMS: We have no objection, your Honor.

THE CLERK: Defendant's Exhibit NN now marked in evidence.

(So marked.)

BY MR. BLUMSTEIN:

Q Now, sir, would you tell me, looking at NN, how the information which you calculated relates to your opinion concerning the value of Standard shares as being in excess of the book value?

A Well, again, let me state that I have not attempted to appraise the value of Standard Aircraft in a definitive sense. However, it is clear to me from these -- from this exhibit that the market was attributing to the shares of Standard Aircraft a multiple of approximately 3¼ times its book value.

Q Yes?

A In December of -- I mean, in -- in December of 1968. And that in the case of the two comparable companies, in one case is the multiple of what was substantially higher and in the other case it was close to three times book value being 2.9 times.

This is, you know, merely an indication to me that the investment community or the investors in securities who were willing to buy and sell stocks in these companies recognizing the risks associated with their businesses, I mean, the business of these companies and so on, were willing to pay -- were willing to attribute a significant going concern value to these companies.

Q Let's look at defendant's Exhibit OO for identification. Could you tell me, sir, what that exhibit is? What kind of information is on it?

A The kind of information that is presented on this exhibit is a summary of the Standard & Poor's Daily Stock Price index for 425 industrial companies for the periods 1960 through June of 1970 -- January of 1960 through June of 1970.

The composite, if you will, earnings per share of those 425 industrial companies, and the price earnings ratio. That is, the index divided by the earnings of the index at each of these monthly points in time.

Q All right.

A It is designed to provide a general context for the condition of the market, if you will.

Q Now, how was -- from what sources was this exhibit prepared?

A The sources are identified on the page of the exhibit. Indices derived from STandard & Poor's Trade & Securities Statistics, 1972 edition.

The running twelve months earnings are derived from Standard & Poor's Trade and Securities Statistics, 1972 edition, for March and June, September and December. Data for the other months was interpolated and the price earnings ratio is computed by dividing the index for each month and by the figure -- by the earnings figure for the second following month.

MR. BLUMSTEIN: I'll offer this exhibit in evidence.

THE CLERK: Any objection?

MR. ABRAMS: I have no objection.

THE CLERK: All right.

Defendant's Exhibit OO now marked in evidence.

(So marked.)

BY MR. BLUMSTEIN:

Q Now, how does the information which is contained on this exhibit relate to the opinion that you have expressed regarding the value of Standard shares as they relate to its book value?

A The information presented in this exhibit indicates that investors in general were paying relatively high multiples of earnings for stocks in the period of -- at the end of 1968.

Just precisely what that relationship to book value was is not stated here. However, the multiple in December of 1968 was about 18.62.

Q Looking at Defendant's Exhibit NN, how does that relate to multiples at which these three companies that you examined on that exhibit show?

A Well, in the case of Standard, the multiple was 23.5 times as opposed to the 18.6 times. For Southwest it was 31.2 times and for Van Du~~z~~sen it was 18.8 times.

Q What about the multiples which are shown on OO? The average multiples from --

A Right. The average multiple at December of 1968 was 18.62. The average multiple in September declined to -- of '69, to 16.35.

Q All right.

Now, let's look at the next one, Defendant's Exhibit PP for identification and could you please tell us the information that appears on that exhibit?

A The information that is contained on this exhibit is a compilation of cash tender offers to it made during the 1968, 1969 period. The data included is the name of the target company, the name of the acquiring company, the effective date of the bid, the number of shares of the target company outstanding, the percentage of those shares being bid for, the tender price, the level of the market price before the bid was made, the premium represented by the tender price as it related to the market prior to the tender and the result of the tender offer.

Q Can you tell me, sir, how that exhibit was prepared?

A This exhibit was prepared from published information that was available in our library.

Q What --

A And from public -- I'm sorry. Available in our library is a fairly broad statement. It was compiled from published information that was generally included in either Moody's or Standard & Poor's or both.

Q Is that the source of the information?

A That was the source of the information.

Q To the best of your knowledge, does the information which is contained on Exhibit -- is it PP?

A PP.

Q Consider all of the cash tender offers that took place during the period described?

A I -- I'm not certain that it includes all. In fact, I'm reasonably certain that it does not include all cash tender offers made during the period but I think it could be considered to be a representative compilation of cash tender offers that took place during this period, particularly with regard to transactions of any significant size.

MR. BLUMSTEIN: I'll offer this in evidence.

A It also, if I may amend my statement further, does not include tender offers made by companies for their own stock or for small interests in companies that they already had substantially all of.

MR. BLUMSTEIN: I'll offer PP in evidence.

MR. ABRAMS: No objection.

THE CLERK: Defendant's Exhibit PP now marked in evidence.

(So marked.)

BY MR. BLUMSTEIN:

Q Before I ask you some other questions about PP, let's turn to QQ and can you tell me briefly what's on that exhibit?

A Yes. This exhibit is a compilation of contested tender offers made during the 1968, 1969 period and it includes the name of the target company, the bidders, the effective date of their bids, the shares of the target company outstanding, the percentage of those shares bid for, the tender prices, the level of the market price before the bid was made, the premium represented by the tender price as compared to the previous market price and the result.

Q Can I ask you this: Is the only difference between PP and QQ that PP is uncontested tender offers and QQ represents contested tender offers?

A In the case of QQ, some of these contested tender offers involved exchanges of securities, as well as cash.

Q I see.

A Or cash.

Q Otherwise, the information is --

A Otherwise the information is generally the same.

Q Except that in the case of the contested tender offers you set forth the contestants?

A Right.

MR. BLUMSTEIN: I'll offer QQ.

MR. ABRAMS: No objection.

THE CLERK: Defendant's Exhibit QQ now marked in evidence.

(So marked.)

BY MR. BLUMSTEIN:

Q Now, looking at PP and QQ, can you tell me how the information contained on these two exhibits relates to the opinion that you have given us with respect to the value of Standard's shares vis-à-vis its book value?

A Well, the information presented in these two exhibits reveals to me that companies bidding to acquire a second company have been historically willing to or were at this time paying significant premiums over the then existing market price, to obtain control. In the case of the uncontested cash tender offers, this premium would on average certainly exceed 25 percent and in the case of the contested tender offers, the premiums on average I think probably exceeded 70 percent over the previous market price.

Q How does that relate to the Standard situation?

A Well, it relates to the Standard situation in that, as I understand it, Pittsburgh Coke and Chemical was bidding for control of this company and therefore, would, in my opinion, ordinarily have expected to pay a premium to obtain such control.

Q The data there gives you some information as to what was going on in the marketplace at that time with respect to premiums being paid for control?

A That is correct.

Q Let me turn to a new area, if I may. I would like you to assume that in the course of your evaluation of the shares of Standard for Pittsburgh Coke, it was told to you that for the years 1962 through 1968, using standard accounting practices, approximately $360,000 in inventory should have been written off during those years but was not.

I'd like to ask you, in terms of the techniques that you have described before, how you would approach that bit of information and what you would do?

A Well, of course, first of all, I'd wish to determine whether or not the information was accurate.

Q Sure. Let's assume it is.

A Assuming that it is accurate, I would attempt to conduct an analysis that would reveal for me what the impact on the flow or earnings would have been had some other procedure been used. Some procedure that I had determined to be appropriate and reasonable, under the circumstances.

Q All right. You'd better explain that to me. I don't know what you are talking about.

A I'm sorry.

If --

Q Would you go back?

A Sure.

Q Are you saying that you'd go back through the recorded statements for those years and do something or what?

A Right. What I'm saying is that I wouldn't assume that the full impact of this faulty policy, assuming that it was a faulty policy, should be reflected in one year. If I am attempting to analyze what the flow of earnings is.

Q Right.

A I would attempt to reconstruct what the earnings would have been in each of the preceding years.--

Q Correct.

A -- had the -- had some other method of valuing inventory been used.

Q Right.

A Now, that's not an easy analysis to conduct, I must admit, because there are a number of factors that would come into play, the impact of which is not easy to measure.

Q What are those factors?

A Well, for instance, if one assumes that more conservative inventory valuation posture, one is therefore necessarily going to have a higher cost of goods sold.

If one has a higher cost of goods sold then one is going to have a lower income before taxes. If one has a lower taxable income, one is going to pay less in taxes. If one pays less in taxes, one will have more cash.

Now, this is where it gets a little complicated because A, that cash would presumably be used in the business.

Q- Right.

A And might produce some additional flow of earnings.

Q Right.

A B, any inventory that has been written off and which is subsequently sold comes through the profit and loss statement with a zero cost of the goods sold and is effectively -- effectively therefore, is a hundred percent gross profit.

Q That could increase the taxes?

A That could increase the reported taxes and so as I say, it is a complicated analysis to make. And you might, you know, conclude that you would make it based on several different sets of assumptions and come to some conclusions based on several sets of assumptions as to what you could earn on the additional cash, how much of the inventory you've written off is ultimately going to be sold and so on.

Q I take it, you'd be interested in terms of the inventory written off what disposition was made of it?

A Yes.

If it's thrown away, then that -- you're not going to sell it.

Q Right.

A If it's kept on the shelf and some of it is ultimately sold, then that's relevant to me. If it's kept on the shelf and none of it is ever sold that's relevant as well.

Q Suppose you have an inventory which is being valued on the basis of lower of cost or market and you are in an inflationary period, does that stimulate you to make any inquiries concerning the inventory?

A Yes. I think it would have such an effect. The reason being that the replacement value of the inventory might well be significantly higher, modestly higher, not at all higher, but I'd want to know the answer to what the replacement value of the inventory would be, in an inflationary period. Because I would presume that I was marking up my selling prices on the merchandise as inflation permitted me to.

The cost was remaining constant.

Q I take it that what you are concerned with is what the economic value of the inventory is as opposed to what number may be on the books?

A Yes, I would be interested in that.

(Continued next page.)

Q I want to get one thing very clear. Your analysis and the opinions that you have expressed have given full weight to the assumptions made by Mr. Carolla concerning the loss of sales that he projected for Standard into the future after the date of the valuation?

A Yes.

Q Is your opinion that given those assumptions it is still appropriate to apply the multiple of earnings technique to determine the value of Standard's shares?

A Yes, that is my opinion.

MR. BLUMSTEIN: I have no further questions.

CROSS-EXAMINATION

BY MR. ABRAMS:

MR. ABRAMS: Mr. Holstrom, good afternoon.

THE WITNESS: Good afternoon.

Q When were you first told by the Paul Weissberg firm about testifying here today?

A May I consult my calendar without entering it into evidence?

MR. ABRAMS: I make no promises.

A (continuing) I first met with him on September 20th. That's a Friday. I believe they inquired of us by telephone either the preceeding day, which would be the 19th or the 18th, as to whether or not we could meet with them on that day.

Q And when you first met with him, what task were you asked to do to prepare to testify?

A We were asked to review information which had been presented to us and to in particular focus on the testimony that had been given by -- the deposition that had been given by Mr. Carolla.

Q Were you asked at that time to consider rendering an opinion as to the methodology of Mr. Carolla?

A Yes, we were.

Q Were you asked at that time to consider rendering an opinion as to whether the value of Standard stock as of September 1969 was something in excess of book value?

A No, we were not.

Q When did the second subject first come up?

A The second subject being rendering an opinion as to the --

Q As to the value of Standard stock in excess of book value as of September 18th, 1969?

A Oh, I don't remember precisely. It was either at that meeting on the 20th or it was at a meeting early the next week.

Q Was it prior to your deposition?

A It was prior to my deposition.

3 Q Who were you contacted by at the Paul Weiss~~berg~~ firm?

A Well, correcting my deposition -- because I was not aware of the complete chronology -- Mr. Blumstein contacted one of my partners and I subsequently discussed the matter initially with Mr. Radice and then with Mr. --

Q When was the first time that you discussed testifying with anyone, either in your firm or somebody at Paul Weiss~~berg~~?

A Either September 18th or 19th.

MR. ABRAMS: That's an anniversary in this case.

Q Let me ask you this, prior to the first time that you discussed with anyone at the Paul Weiss~~berg~~ firm or inside your firm the possibility of testifying, had you ever heard of Standard Aircraft?

A No.

Q Prior to that time had you read any financial statements of any company in the aircraft supply business?

A Not to my knowledge.

Q Prior to that time had you ever advised a prospective purchaser of stock in the aircraft supply company business as to what value was appropriate for them to pay?

A No.

Q Do you consider yourself an expert on the business of Standard Aircraft?

A No, I do not.

Q I believe you testified this afternoon that you do not have an opinion as to the value of Standard's shares as of September 18th, 1969 or any other particular date? Is that correct? With the exception of the value being more than book value? Is that correct?

A I think that is substantially correct, yes. There was a market price for the stock at that date, but I do not have an independent appraisal that would differ from the market price, if that is what you are asking.

Q Yes.

Mr. Holstrom, you said that the -- in response to the direct question -- that at the meeting with Mr. Radice or with his firm that it didn't seem that you had enough time to prepare anything and that in any event you were not asked to express an opinion. Did you ask whether they would like you to express an opinion as to the value of Standard stock at any date?

A I don't recall that we did.

Q You testified that in your view as of September 18th, 1969, Standard stock was in fact worth more than book value? Is that correct?

A That is correct.

Q And you stated a number of factors which I believe said led you to your conclusion. One of those factors, as I copied it down, was that Standard had relationships with customers and suppliers. Is that a correct statement of your position?

A Yes.

Q Did you have the information as to what the relationships were that Standard had with its suppliers as of September 18th, 1969?

A I have read certain correspondence.

Q Have you reached conclusions as to the nature of the relationships?

A No, I have not.

Q Can you tell us then the basis of your testimony that one factor in concluding the Standard stock was worth more than book value was that relationship?

A Yes, I can.

Q Please do.

A The company, as I understood it, and I have been given at least five years financial statements, had been in business for a number of years and its business, as I understood it, was that of a supplier of aircraft parts. I was using the term relationships with suppliers in a general way. While I certainly am aware that using -- based upon Mr. Carolla's testimony that there was some difficulties apparent with certain of the suppliers, I had no way of knowing, and have no way of knowing, whether these -- this sort of a problem had been confronted with in the past and dealt with satisfactorily, or whether there were alternative sources for the product being supplied by Whittaker or Bendix, and whether this represented a temporary set-back for the company or --

Q Can you tell us why you have no way of knowing those matters?

A I have not been made aware of what occurred with the company since 1969, number one, and, number two, I have not attempted to conduct a thorough analysis and investigation of Standard's business.

Q You said in your direct examination that you had been shown certain correspondence and other documents of Standard Aircraft to assist you in preparing for your testimony today; is that correct?

A Yes.

Q Let me show you Plaintiff's Exhibit 14 and Plaintiff's Exhibit 15, which is the Jerry Bollo memorandum of January 28th, 1969 and a telex from Whittaker to Standard of February 6, 1969, and ask you if these are two of the documents that were given you to assist you in preparing for your testimony?

A I have seen these, yes.

Q Do these documents --

MR. ABRAMS: Strike that please.

Q Did your examination of those documents affect your view as to the question of whether the stock of Standard was in fact worth more than book value as of September 18th, 1969

A Your question is, did they affect my view or did I consider them?

Q Did they affect your view?

A I have no way of knowing what the impact of this information would be on Standard's business over the long run.

Q Were you given any facts for you to assume with respect to the affect of those documents on Standard's business over the long run?

A I was given Mr. Carolla's assumptions that the Whittaker business which was referred to here would be lost. But again, I can't give you an opinion as to what the impact of the loss of Whittaker's business would be on Standard's business over the long run.

Q Let me show you Plaintiff's Exhibit 23, which is the April 11th letter from the Bendix Company to Standard Aircraft with respect to navigation & control products for the wide body jets and ask you if that was one of the documents that was shown to you?

A Yes, it was.

8 Q Did that document have any affect on your judgment as to whether or not the stock of Standard as of September 18th, 1969 was or was not worth more than book value?

A I was aware of this information. And again I had no way of evaluating what the long-term implications would be for Standard's business --

Q Well, when you made --

A (continuing) I might add --

MR. ABRAMS: Pardon me.

A (continuing) This apparently refers to business that they didn't have.

Q Is that a relevant thing to consider with respect to a company that someone is considering acquiring?

A Business that they might get in the future and if you now have a reason to believe that they may not get?

Q Yes.

A It would be a consideration, yes.

Q Precisely as well as you can put it to us, what relationship with suppliers did you put into your calculations when you make your statement to us that that was one of the factors that you considered in judging that the value of Standard stock as of September 18th, 1969 was in excess of book value?

A Well, you are requesting I be precise about a

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9 general statement.

Q As best you can.

A I am not, as I said before, an expert on Standard's business. I believe you asked me that question. And I think that, as I said before, Standard had been in business for a number of years and apparently had been buying parts from a number of manufacturers and therefore seemed to have relationships with its suppliers that were of some value.

If you ask me to quantify, I can't quantify what the worth of specific supplier or all of the suppliers in general was. It would be one consideration.

Q Another factor that you said you took into account was inventory?, is that correct? I think in your list of things that you considered in making your judgment that the value of the stock was worth in excess of book value, one was inventory?

A One I think I stated was the liquidity of the balance sheets which was represented primarily by cash, accounts receivable and inventory.

Q Now, when you --

A I am sorry. I did make an additional statement about the inventory. That they had an inventory and they had a means of retrieving items from the inventory.

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Q And did you take into account the amount of inventory that they had?

A Again, I am not an expert on Standard's business. And if you are asking me is it the right amount or the wrong amount, or what have you, I can't answer that.

Q What I am asking you is, were you assuming there was a particular amount?

A I was assuming that there was an amount that was stated in Mr. Carolla's assumption.

Q Now, Defendant's Exhibit NN was introduced. Do you have it in front of you?

A I do not have it.

Q This is the Industry Comparison prepared by your firm.

MR. BLUMSTEIN: Do you want a copy?

MR. ABRAMS: Yes, thank you. If you will give me all four.

Q I direct your attention to Exhibit NN.

A Yes, sir.

Q I believe you said as to that, that it was clear to you that the market was attributing over three times the book value to Standard stock.

A Approximately three times, yes, sir.

Q Now, did you conclude from that that the value of

Standard stock as of any particular point in time was in fact more than book value?

A Well, what do you mean by the value, Mr. Abrams?

Q I do not mean market value. I mean the value that an independent valuer would put on the stock.

A Well, based on what assumptions?

Q Well, let me ask you this, Is it your testimony that because the market value of the over-the-counter exchange was about three times book value, that that is about the amount that you would have recommended to be paid for the stock?

A I haven't said that.

Q No, I know you haven't. Now I am asking you whether you would do that?

A I have no opinion on that subject.

Q Do you have any opinion as to the relationship between the market value, as you and I have been using that term, and how much you would recommend or how much you would have recommended paying for Standard stock as of September 18, 1969?

A As of September 18, 1969, had a market of $15, so $16 existed, and had my client desired to buy this company, I would probably have advised him that he would have to pay a price something in excess of 25 percent higher than the 15 to 16, based on the other information that I have discussed.

Q Would you have advised him on the basis of what you now know that it would be worth for him to pay a 25 percent premium?

A I don't know what his objectives were, so I can't answer that question.

Q Is one of the factors that you would take into account in answering that question the relationship between the company and its suppliers?

A Yes.

Q Would you look at Defendant's Exhibit OO, please, and that is, I think you said, and it says on it, Standard & Poor's Daily Stock Price Index?

A Right.

Q 425 Industrials?

A Yes, sir.

Q I believe your testimony to that document indicates that investors were paying ~~for~~ relatively high multiples of earnings in 1968. Does that fact lead you to any conclusion as to how much you would have recommended to Pittsburgh Coke to pay for Standard Aircraft?

A It would have influenced a recommendation.

Q And would it have influenced it with respect to how much they would have to pay to buy the stock?

A It would have influenced, yes, as to how much they would have had to pay, and it also would have influenced how much they would have been willing to pay, in my opinion, because a high price earnings ratio obviously suggests a relatively low cost of capital.

Q And would that bear upon your judgment as to how much should be paid?

A The buyers' objectives would bear on the judgment. And I think the buyers' objectives would be influenced by his cost of capital.

Q Is Exhibit OO relevant in any other way to what you have just told us as to your conclusion that the value of Standard stock as of September, 1969, was in excess of book value?

A I think that is the princip~~le~~al relevance.

Q Will you turn, please, to Exhibit PP and QQ?

A I have them.

Q Does Exhibit PP lead you to conclude, in and of itself, without more before you, that the value of Standard stock was in excess of book value as of September 18, 1969?

A Well, I think you are asking an unanswerable question. I have no answer for what you have asked me. Perhaps you can restate it and I will understand it better.

I think you are asking me again what the value -- why my opinion as to the value of Standard stock is --

Q Well, apart from what I am getting at, and it is for me to get to it if I can, the area in which I am, Mr. Holmstrom, is the relevance of these documents to your testimony that the value of Standard stock was in excess of book value. So I am taking one particular document, PP, introduced through you, and asking you only right now whether Exhibit PP, as you look at it, and as you read it, and as you analyze it, leads you to conclude that Standard stock as of September 18, 1969, was worth more than book value?

A This document causes me to conclude that the market or value and control of companies in general had a premium over the stated market price for their securities.

Now in 1969 -- I don't know particularly when you are referring to in 1969 -- Did you say September?

Q I said September.

A All right, September, 1969, there really wasn't any market. I think that -- Because, substantially, all of the stock had been acquired by Pittsburgh at that point. I would say that this document causes me to believe that purchasers were willing to pay a premium for control, and a premium over what? Well, it could well influence me to say -- to conclude that, yes, it would be a premium over the book value.

Q Mr. Holmstrom, did you testify this afternoon that sometimes by coincidence the book value is in fact the value that by the use of proper principles as set forth by you in the application of the ~~proper maintenance and~~ price-earnings ratio, -- that the book value is in fact the value one would pay, or one should have paid, is that correct?

A That circumstance can occur, and does occur.

Q Book value, I take it, by definition is the value without a premium added onto it, is that correct?

A I don't understand your question. I am sorry, sir.

Q Well, when you talk of book value, we are by definition talking about a value without what Exhibit PP refers to as a premium, is that right?

A Yes, sir.

Q A company that would sell for book value, whether by chance or otherwise, in terms of how the price was derived?

A Are companies ever sold at book value? Certainly.

R fls.

(continued on next page.)

Q With respect to Exhibit QQ now, does your analysis of Exhibit QQ lead you to conclude that Standard's stock as at either December 20, 1968, or September 18, 1969, was in excess of book value?

A I would say that Exhibit QQ would not heavily influence me.

Q You testified with respect to certain questions that Mr. Blumstein put to you with respect to inventory. I'd like to ask you a few more.

Were you here when Mr. Rushia testified?

A I was here when Mr. Rushia testified. I'm not certain whether I heard all of his testimony or not.

Q Did you hear that part of Mr. Rushia's testimony in which he testified that at year end, in certain years, Mr. Bollo would give him a figure to be written off?

A Yes, I heard that statement.

Q And that Mr. Rushia would then prepare the books in such a fashion as to come up with the figure previously given him by Mr. Bollo? Did you hear that?

A Yes, I did.

Q Assuming that Mr. Rushia's testimony is accurate, and putting yourself now in the position of somebody that has been asked to value Standard Aircraft stock in 1968, and 1969, would the practice set forth by Mr. Rushia have any ~~a~~ effect upon you and on your judgment?

A I can't answer that question, because I don't know the appropriateness of the method that was being utilized.

Q You don't know the appropriateness of the method as set forth by Mr. Rushia?

A As set forth by Mr. Rushia.

Q Do I understand correctly that you express no judgment as to whether it is proper for the President of a company to set a figure in advance as to how much should be written off, and for an employee then to go and write off amounts until he reaches that figure? Have you no opinion on that?

A I'm not testifying as an expert on accounting, and I think you are asking me a question that only such an expert could answer.

Q Would it have any effect on your judgment about recommending the purchase of a company if you learned that company management had told lies with respect to thie relationships with suppliers or other significant matters?

A I think that the answer is yes.

Q Why would it have an effect?

A Well, I think that it would -- Simply stated, it would be difficult for me to deal in good faith with people who were not dealing in good faith with me.

You know, again I -- I couldn't quantify what if -- you know, to what extent this would influence me, but it might very well influence me to decide that I should recommend to my client that we would not proceed with the transaction.

Q It might also influence you at the very least to recommend to your client that they make further checks as to the accuracy of other information given you by company management?

A It could have that effect. It could have the effect of recommending that we -- that they have a purchase audit conducted by their own certified public accounting firm.

Q I think another subject that you testified about is the steps that you would have recommended to Pittsburgh Coke, had you been asked, with respect to what should be looked at in Standard before buying it. Is that right?

A Yes, sir.

Q Do you have any information as to what steps Pittsburgh Coke took?

A No.

Q Now, you've testified that Mr. Carolla's methodology was "simplistic." I think that was one of your words. You listed a variety of factors which you would use to develop a flow of earnings before putting a value on a company. Is that right?

A That's correct.

Q One of them was the relationship of the company by way of suppliers?

A Yes.

Q Why would you even be interested in that? What is the relevance of that factor?

A Well, the relevance of that factor, taken in the context of all of the other factors, is -- presumably, is to me -- Well, to me it would have -- the relationships with the suppliers could have an impact on the flow of earnings, in that one might be able to obtain, because of excellent relationships, particularly favorable prices for the product one is buying. One might be able to obtain particularly favorable payment terms.

Or the converse, particularly unfavorable payment terms, or unfavorable prices.

One might be able, because of very good relationship, to get better delivery on a product, or you might get the bottom of the list of people to be delivered to.

Does that answer your question?

Q That's a start.

Is it relevant, in making the kind of study that you have advised us should, in the ordinary course of events, be made, to inquire into questions of whether old, established suppliers would continue to remain suppliers?

A Yes, I've testified to that effect.

Q I want to go back to my previous question, then. Why is that relevant?

A Well, it is relevant in that, as I have said before -- maybe I haven't -- the company makes ~~it's~~ its business by buying products from its suppliers, and selling it to its customers, and the existence of relationships with suppliers that would permit you to do that, I think would be a relevant consideration.

Q Does a person with extensive experience in the aircraft supply business have any advantages over you, in your view, in being able to put a value on a company in that area?

A I don't think that I should pass a judgment on somebody else's qualifications.

MR. ABRAMS: I have no further questions, your Honor.

MR. BLUMSTEIN: No redirect, your Honor.

THE COURT: All right, Mr. Holmstrom.

MR. BLUMSTEIN: Your Honor, subject only to the discussion we had the other day about Price Waterhouse, and the possibility of another witness, we have no --

MR. WILLIAMS: I can't hear.

MR. BLUMSTEIN: Subject only to what we were discussing yesterday, about a possible additional witness, on the subject of the Price Waterhouse study, we have no further evidence.

The defendant rests.

MR. WILLIAMS: Your Honor, we have no further witnesses, but I would like to move now to amend the pleadings to conform with the proof; that is, with respect to the item of damage of $3,100,000, instead of $2,400,000, which I think we had.

MR. BLUMSTEIN: For the record, your Honor, because I'm aware of some cases in this area, I would like to record my objection to that motion, but I don't propose to argue it at all.

THE COURT: #Three million, one, you said, instead of --?

MR. WILLIAMS: $3,100,000 instead of $2,400,000.

THE COURT: All right. Is there anything else?

MR. WILLIAMS: No, your Honor.

With respect to the briefing schedule, I do think that we would like to put in a post-trial brief.

MR. BLUMSTEIN: May I make a suggestion? Could we do this perhaps off the record, and then, when we get finished, just put it on the record? We might save a few dollars in terms of the record.

MR. WILLIAMS: We don't mean to argue it, but --

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MR. BLUMSTEIN: All right.

MR. WILLIAMS: I was going to say that I think I would like to try to sum up the evidence in a brief, which I don't propose to do orally.

THE COURT: I never refuse Greeks bearing genuine gifts, you understand. If you are willing to go to all that trouble, why --

MR. BLUMSTEIN: I'd like the same opportunity.

THE COURT: It applies to both of you.

MR. WILLIAMS: Assuming there is no other witness, could we have about three or four weeks to do that?

THE COURT: Certainly.

MR. WILLIAMS: And exchange briefs?

MR. BLUMSTEIN: Whatever you want to do. Pick your time.

THE COURT: All right. I will give you four weeks.

MR. WILLIAMS: Since I don't propose to write the brief myself, may I ask my associate how much time he needs?

THE COURT: You did not consult with him before?

MR. ABRAMS: I'm sure Mr. Blumstein and I can work it out, your Honor, but I think four weeks from today for a mutual exchange of briefs is fine.

MR. BLUMSTEIN: That sounds fine, your Honor.

MR. ABRAMS: Would your Honor also find it useful

8 to have proposed findings, or would the briefs suffice?

THE COURT: I think my initial suggestion was really to try to save you the need for a post-trial brief. I questioned the need for findings, if you are going to really sum up the evidence.

MR. ABRAMS: I don't think it would be necessary.

THE COURT: That would be my feeling.

MR. BLUMSTEIN: Perfectly satisfactory, your Honor.

THE COURT: So we will just expect the post-trial briefs, then, in four weeks, unless the time is extended for urgent reasons.

MR. WILLIAMS: Thank you, your Honor, I know I speak for both sides, for your patience and consideration during this trial.

THE COURT: Well, sometimes I am told that is about the only asset I have.

MR. ABRAMS: Thank you very much, your Honor.

THE CLERK: The 18th?

MR. WILLIAMS: The 18th of November.

THE COURT: It was a pleasure to have you all before me.

THE CLERK: The 18th of November is four weeks, your Honor.

THE COURT: All right.

(Whereupon, the case was concluded.)

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Defendant's			
NN	1-pg Document	672	695
OO	4-pg Document	672	697
PP	4-pg Document	672	700
QQ	6-pg Document	673	701

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF NEW YORK

- -x

PITTSBURGH COKE & CHEMICAL COMPANY, :
Plaintiff, :
-against- :
LOUIS J. BOLLO, :
Defendant. :

- -x

Civil Action No.
71C305 (ERN)

STIPULATION

IT IS HEREBY STIPULATED AND AGREED by and between the undersigned attorneys as follows:

1. The attached five pages of Defendant's Exhibit O for identification shall be received in evidence.

1970 Study

2. In late 1970, Price Waterhouse and Standard examined the inventory records of Standard as of September 25, 1970. Based on this examination, Standard wrote off a quantity of inventory. The inventory written off included (a) items for which there had been no sales in the prior two years; (b) "excess" stock; and (c) items considered unsalable because of the Bendix cancellation.

3. Each item with an extended value* of $50 or more was tested. If there had been no sale of such an item

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* "Extended value" of an item is the product of the quantity of the item in inventory times the cost of the item; thus, if there are 12 generators in stock and each generator's cost to Standard was $100, the extended value of that item is $1200.

since September 25, 1968, it was written off. Using this two-year rule, $444,247* in items with extended value over $50 were written off. Of this amount, $181,262 was attributable to items with extended value of more than $500, and $262,985* to items with extended value of $50-$499.

4. As for the over 42,000 items with extended value of less than $50, a statistical sampling was taken to determine how much of the value of those items should be written off by use of the two-year rule. The amount determined was apart from and in addition to the $444,247 for the over-$50 items.

1971 Study

5. In 1971, Price Waterhouse was asked to determine how much of the inventory which was not written off until 1970 would have been written off in each of the years 1961-70 had a two-year rule been used in each of those years.

6. Price Waterhouse divided the inventory written off in 1970 into strata according to the extended value of the items. All $181,262 of items (see ¶ 3) with extended value of $500 or more were tested to determine the year in which each of them would have been written off. For items with extended value of $50-$499, a statistical sample of the $262,985* of items (see ¶ 3) not written off until 1970 was tested** to approximate the distribution of all such items over the years 1961-70.

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* These totals included several items with extended value less than $50 from the branches.

** The several items with extended value of less than $50 from the branches which are included in this figure were deleted for the 1971 testing of items with extended value of in excess of $50.

7. For items with extended value of less than $50, a statistical sample of all inventory items with extended value under $50 was tested to approximate the distribution of write-offs over the years 1961-70. The total of the approximate write-offs for these items for the years 1961-70 was $178,469.

8. All items tested with extended value of less than $500 were selected by use of a random number table and a Price Waterhouse random number generator computer program.

9. The figures contained in Plaintiff's Exhibit 29 represent Price Waterhouse's conclusion from the 1971 Study as to the most probable value of inventory becoming deadstock under application of the two-year rule during each of the years 1961-69.

10. The figure 607,104 appearing on Table 4 at the bottom of page 2 of Defendant's Exhibit O under the heading "Field Obsolete" represents Price Waterhouse's conclusion as to the value of inventory that had become deadstock by September 25, 1970 under application of the two-year rule. The figure is the sum of the $181,262 of items with extended value over $500, plus the $178,469 approximation (see ¶ 7) of items with extended value under $50, plus an approximation of the items with extended value of $50-$499. Since it is based in part on statistical sampling, it is an approximation and not necessarily the value which would have been obtained if all items had been tested (the "absolute value"). Statistical sampling does not produce a value that has absolute certainty. It can be used to produce an approximation, the "most probable" value. A statement of the probability that the absolute value would be

within a specified range (the "confidence limits" of the approximation) can also be obtained. Defendant's Exhibit O does not contain any confidence limits for the $607,104 figure.

11. The figures contained in Plaintiff's Exhibit 29 are derived from Table 4 of page 2 of Defendant's Exhibit O.

12. Since each yearly figure is based, in part, on projections from statistical sampling, it is not necessarily identical to the figure which would have been obtained had all items been tested, but should be considered as an approximation.

13. The words "95% Confidence Limits on Totals" appearing at the bottom of page 2 of Defendant's Exhibit O, mean that there is a 95% probability that, for a given year, the absolute value would be between the upper and lower limits.

14. These confidence limits are used to illustrate the degree of reliability of the by-year distribution. They do not relate to the reliability or accuracy of the total amount of inventory write-offs allocated to the 1961-70 period. No confidence limits for the total amount of inventory write-offs for the 1961-70 period appear in the attached pages, nor do confidence limits for cumulative totals up to any given year.

15. Attorneys for defendant were provided with all the work papers of Price Waterhouse & Co. used in the 1971 study. These included photostatic copies of the records of all inventory items tested, sheets summarizing the sales history of those items, and a description of the methodology used in the 1971 study.

First Grant's Tender Offer

16. First Grant Corporation's tender offer to the stockholders of Standard (other than Louis J. Bollo) was made on December 31, 1968 and, as extended, the offer remained open until February 13, 1969.

17. This stipulation shall be marked Defendant's Exhibit RR for identification and shall be received in evidence.

Dated: New York, New York
November 23 , 1974

PAUL, WEISS, RIFKIND, WHARTON & GARRISON

By ______________________________

Attorneys for Defendant
345 Park Avenue
New York, New York 10022
644-8000

CAHILL GORDON & REINDEL

By James J. Foster

Attorneys for Plaintiff
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944-7400

SO ORDERED:

____
Edward R. Neaher
United States District Judge

EXHIBIT(1)

STANDARD AIRCRAFT EQUIPMENT CO., INC.

ANALYSIS OF INVENTORY TO DETERMINE AMOUNT OF DEADSTOCK INVENTORY UNDER THE "TWO-YEAR RULE"

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Following is a summary of the total inventory items in the field and the inventory items selected:

Items with Inventory Value of	Total Number of Inventory Items in the Field	Total Number of Inventory Items Selected
More than $500	181	181
$200 - $499	423	133
$100 - $199	691	74
$50 - $99	962	53
Less than $50	42,237	383

As can be seen in the preceding table, Price Waterhouse selected all inventory items with extended values in excess of $500. The other items were selected by use of a random number table and a Price Waterhouse random number generator computer program.

T.O.C.

For items over $50 in extended value, the field represents only those items included in the company's inventory writeoff tabulations for obsolete inventory.

For items under $50, the field represents total of all inventory items with extended values under $50.

Above distinction made because company's PW [illegible] reviews all items over $50 and only [illegible]

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STANDARD AIRCRAFT EQUIPMENT COMPANY

OBSOLETE INVENTORY STATISTICAL SAMPLING ANALYSIS

(NOTE: FOR PURPOSES OF THIS ANALYSIS, 'GOOD' INVENTORY REFERS TO THAT WHICH IS NOT)
(OBSOLETE IN ACCORDANCE WITH THE APPLICATION OF THE SO CALLED 'TWO-YEAR RULE.')

TABLE 1

STRATUM	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	SAMPLE OBSOLETE	SAMPLE GOOD	SAMPLE TOTAL	SAMPLE SIZE	FIELD TOTAL	FIELD SIZE
1	0	1431	2208	9312	10505	5353	16429	25755	34271	75998	181262	57126	238388	181	238388	181
2	0	587	577	252	846	1473	4884	5702	7292	10879	32492	6747	39239	133	129668	423
3	0	406	222	584	908	525	963	1321	2256	1562	8747	1457	10204	74	96241	691
4	0	0	0	0	204	407	501	758	831	510	3211	593	3804	53	68121	962
5	0	2	3	47	0	0	14	73	57	73	269	300	569	43	43853	3752
6	0	0	0	0	0	1	0	0	0	0	1	9	10	3	3813	273
7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	767	55
8	2	1	0	0	15	47	47	161	125	102	500	580	1080	90	124927	10859
9	1	0	32	47	0	80	107	58	47	119	491	213	704	52	61228	4310
10	0	0	0	0	0	0	14	4	0	33	51	70	121	20	22566	2624
11	0	0	0	0	0	2	1	9	16	0	28	239	267	39	32201	5532
12	0	0	0	0	0	0	0	0	0	8	8	655	663	30	51901	2765
13	0	0	0	0	0	0	0	0	36	52	88	158	246	22	30384	2464
14	0	0	0	0	0	46	38	11	16	64	175	366	541	34	39022	3645
15	0	0	0	0	0	0	0	0	8	108	116	222	338	17	25485	1744
16	0	1	0	0	0	9	40	46	4	2	102	222	324	33	35151	4214
TOTALS:	3	2428	3042	10242	12478	7943	23038	33898	44959	89510	227541	68957	296498	824	1003710	44494

TABLE 2

STRATUM	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	SAMPLE OBSOLETE
1	0.0000	.0079	.0122	.0514	.0580	.0295	.0906	.1421	.1891	.4193	1.0000
2	0.0000	.0181	.0178	.0078	.0260	.0453	.1503	.1755	.2244	.3348	1.0000
3	0.0000	.0464	.0254	.0668	.1038	.0600	.1101	.1510	.2579	.1786	1.0000
4	0.0000	0.0000	0.0000	0.0000	.0635	.1268	.1560	.2361	.2588	.1588	1.0000
5	0.0000	.0074	.0112	.1747	0.0000	0.0000	.0520	.2714	.2119	.2714	1.0000
6	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000	1.0000
7	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
8	.0040	.0020	0.0000	0.0000	.0300	.0940	.0940	.3220	.2500	.2040	1.0000
9	.0020	0.0000	.0652	.0957	0.0000	.1629	.2179	.1181	.0957	.2424	1.0000
10	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	.2745	.0784	0.0000	.6471	1.0000
11	0.0000	0.0000	0.0000	0.0000	0.0000	.0714	.0357	.3214	.5714	0.0000	1.0000
12	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	1.0000
13	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	.4091	.5909	1.0000
14	0.0000	0.0000	0.0000	0.0000	0.0000	.2629	.2171	.0629	.0914	.3657	1.0000
15	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	.0690	.9310	1.0000
16	0.0000	.0098	0.0000	0.0000	0.0000	.0882	.3922	.4510	.0392	.0196	1.0000

TABLE 3

STRATUM	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	SAMPLE OLSOLETE	SAMPLE GOOD	SAMPLE TOTAL
1	0.0000	.0060	.0093	.0391	.0441	.0225	.0689	.1080	.1438	.3188	.7604	.2396	1.0000
2	0.0000	.0150	.0147	.0064	.0216	.0375	.1245	.1453	.1858	.2772	.8281	.1719	1.0000
3	0.0000	.0398	.0218	.0572	.0890	.0515	.0944	.1295	.2211	.1531	.8572	.1428	1.0000
4	0.0000	0.0000	0.0000	0.0000	.0536	.1070	.1317	.1993	.2185	.1341	.8441	.1559	1.0000
5	0.0000	.0035	.0053	.0826	0.0000	0.0000	.0246	.1283	.1002	.1283	.4728	.5272	1.0000
6	0.0000	0.0000	0.0000	0.0000	0.0000	.1000	0.0000	0.0000	0.0000	0.0000	.1000	.9000	1.0000
7	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	1.0000
8	.0019	.0009	0.0000	0.0000	.0139	.0435	.0435	.1491	.1157	.0944	.4630	.5370	1.0000
9	.0014	0.0000	.0455	.0668	0.0000	.1136	.1520	.0824	.0668	.1690	.6974	.3026	1.0000
10	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	.1157	.0331	0.0000	.2727	.4215	.5785	1.0000
11	0.0000	0.0000	0.0000	0.0000	0.0000	.0075	.0037	.0337	.0599	0.0000	.1049	.8951	1.0000
12	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	.0121	.0121	.9879	1.0000
13	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	.1463	.2114	.3577	.6423	1.0000
14	0.0000	0.0000	0.0000	0.0000	0.0000	.0850	.0702	.0203	.0296	.1183	.3235	.6765	1.0000
15	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	.0237	.3195	.3432	.6568	1.0000
16	0.0000	.0031	0.0000	0.0000	0.0000	.0278	.1235	.1420	.0123	.0062	.3148	.6852	1.0000

TABLE 4

INVENTORY WRITEOFF

	STRATUM	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	FIELD OBSOLETE	FIELD GOOD	FIELD TOTAL
	1	0	1431	2208	9312	10505	5353	16429	25755	34271	75998	181262	57126	238388
	2	0	1940	1907	833	2796	4868	16140	18843	24097	35950	107372	22296	129668
	3	0	3829	2094	5508	8564	4952	9083	12459	21278	14732	82499	13742	96241
	4	0	0	0	0	3653	7288	8972	13574	14881	9133	57502	10619	68121
	5	0	154	231	3622	0	0	1079	5626	4393	5626	20732	23121	43853
	6	0	0	0	0	0	381	0	0	0	0	381	3432	3813
	7	0	0	0	0	0	0	0	0	0	0	0	767	767
	8	231	116	0	0	1735	5437	5437	18623	14459	11799	57837	67090	124927
	9	87	0	2783	4088	0	6958	9306	5044	4088	10350	42703	18525	61228
	10	0	0	0	0	0	0	2610	746	0	6153	9509	13051	22560
	11	0	0	0	0	0	241	121	1085	1930	0	3377	28824	32201
	12	0	0	0	0	0	0	0	0	0	626	626	51275	51901
	13	0	0	0	0	0	0	0	0	4446	6423	10869	19515	30384
	14	0	0	0	0	0	3318	2741	793	1154	4616	12623	26399	39022
	15	0	0	0	0	0	0	0	0	603	8143	8746	16739	25485
	16	0	108	0	0	0	976	4340	4991	434	217	11066	24085	35151
95 % CONFIDENCE (	UPPER:	5185	16110	18309	35986	40634	55258	96249	130363	150258	217750			
LIMITS (		318	7578	9223	23363	27253	39772	76258	107539	120034	189766	607104	396606	1003710
ON (	LOWER:	19	3548	4624	15098	18194	28495	60143	88306	105233	164624			
TOTALS														

TIME 4 SECS.

To determine the year an item is obsolete the following guidelines are followed:

① Determine the year in which the last sale of the item occurred.

② The year the item is considered obsolete is the year determined in ① above plus two years.

③ If an item has no sale activity in the period listed, determine the year(s) of purchase. In some instances an item is purchased in two or more different years. In this case, the writeoff amount at 7/25/70 is allocated to these years in proportion to the total number of items purchased.

④ The year(s) the item is considered obsolete is the year(s) in ③ above plus two years.

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	[illegible] Cost C	[illegible]	[illegible]
[illegible] 1970 [illegible]			
1. [illegible]	310233 -	24099 -	8403
2. [illegible]	172363 -	4426 -	871 -
	482596 -	28525 -	9274 -
Inventory Write-off - [illegible]			
1. [illegible]	88951 -	-	102 -
2. [illegible]	8663 -	-	-
	97614 -	-	102 -
Total	580210 -	28525 -	9376 -
Total [illegible] stock as above	399184 -	24099 -	8505 -
Total [illegible] stock as above	181026 -	4426 -	871 -
Total	580210 -	28525 -	9376 -

NOTE: Above represents 1970 write [illegible] items [illegible] $50.00 [illegible] value (quantity (x) unit inventory value) [illegible] the 8% handling allowance [illegible] parts, the [illegible] connector [illegible] parts [illegible] connector part [illegible] are [illegible] items [illegible] $50.00 standard value [illegible] These items [illegible] to [illegible] $50.00 [illegible] 1970 write [illegible] $50.00.

[illegible] 8/71

[illegible] ([illegible] obsolescence)

The items [illegible] [illegible] Saleability and the [illegible] for testing of purchase and sale activity were [illegible] [illegible] 9/60 Inventory Tab Run.

The following procedures were performed in judging items for obsolescence:

① Determine if the item is current (not obsolete) as shown:

ⓐ Examine the record of item for sales activity in the period 9/25/69 to 9/25/70. Items with no sales activity in the periods tested are current if the initial purchase activity is in the period 7/25/68 to 9/25/70.

ⓑ An item is obsolete if there is no sale or purchase activity in the period 9/25/68 to 7/25/70.

② Items considered obsolete as described in ① above are analyzed to determine the amount of reduction as described on **AA22**.

8 907 -	13 029 -	49 303 -	6 502 -	23 771 -		444 247 -
1 846 -	3 375 -	17 545 -	5 425 -	5 469 -		211 290 -
0 753 -	16 404 -	66 848 -	11 927 -	29 240 -		655 537 -
1 256 -	666 -	6 044 -	-	2 025 -		99 084 -
7 -	124 -	3 754 -	11 904 -	-		17 452 -
1 263 -	790 -	9 798 -	11 904 -	2 025 -	AA3	116 536 -
2 016 -	17 194 -	76 646 -	16 841 -	31 265 -	AA3	772 073 -
0 163 -	13 695 -	55 347 -	6 502 -	25 836 -		543 331 -
1 853 -	3 499 -	21 299 -	10 339 -	5 429 -		228 742 -
12 016 -	17 194 -	76 646 -	16 841 -	31 265 -	AA3	772 073 -

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

PITTSBURGH COKE & CHEMICAL COMPANY, Plaintiff, -against- LOUIS J. BOLLO, Defendant.	:	71 C 305 MEMORANDUM OF DECISION

APPEARANCES:

CAHILL GORDON & REINDEL
Attorneys for Plaintiff
By PAUL W. WILLIAMS, ESQ.
FLOYD ABRAMS, ESQ.

PAUL, WEISS, RIFKIND, WHARTON & GARRISON
Attorneys for Defendant
By ALLAN BLUMSTEIN, ESQ.
ANTHONY M. RADICE, ESQ.
HOWARD F. JAECKEL, ESQ.

NEAHER, District Judge

This is an action by Pittsburgh Coke & Chemical Company ("PCC")[1] to recover from the defendant Louis J. Bollo ("Bollo") damages in the amount of $3,100,000, representing the larger portion of the consideration paid by PCC to him and other stockholders of Standard Aircraft Equipment Company ("Standard") to complete PCC's acquisition of a 97% controlling interest in Standard in 1969 and 1970. The asserted grounds of liability are §10(b) of the Securities Exchange Act of 1934, 15 U.S.C. §78j(b)(1970), SEC Rule 10 b-5, 17 C.F.R. §240.10b-5, and diversity claims of breach of express warranty and common law fraud. The case was tried to the court without a jury and the following constitute the court's findings of fact and conclusions of law. Rule 52(a), F.R.Civ.P.

Background Facts

Plaintiff PCC, prior to the time of the Standard acquisition, was a substantial diversified management investment company registered under the Investment Company Act of 1940. Commencing in 1964 it began an active program of conglomerate acquisitions, acquiring four wholly owned operating companies and significant stock holdings in several other affiliated and unaffiliated companies. As of December 3, 1968 PCC's net equity in operating companies and investments exceeded $56,000,000. DX A.

Standard began business life in 1933 at Roosevelt (Aviation) Field, Long Island, as a sole proprietorship of defendant Bollo. Its business then was primarily that of a repair facility for private aircraft, although it also served as a local distributor of aviation instruments and parts manufactured by pioneer aviation divisions of Bendix Corporation. After its first growth in distributor sales to the military during World War II, Standard was incorporated in 1947 with Bollo as 90% stockholder and began a postwar growth coinciding with the expansion of commercial and general aviation. At the end of 1966 Standard's annual total sales had climbed to $6,597,000, of which only 10% was attributable to repair services.

Although Standard had acquired some 100 distributorships by the 1960's, each representing distinct product lines, the bulk of its sales and profits were derived from selling the products of a group of manufacturer-suppliers to major airline customers (45%), fixed base operators and repair centers (40%), corporate aircraft operators (14%) and the military (1%). Those manufacturers were Bendix Aviation Corporation (through separate divisions), Whittaker Corporation, Goodyear Tire & Rubber Company, Champion Spark Plug, Sonotone and Pesco Products Division of Borg-Warner Corporation. For example, in 1966 their products accounted for approximately 5 million of Standard's 6.6 million sales in that year. And two of them, the Bendix group and Whittaker, accounted for 3.8 million of that total. All of Standard's distributorship agreements permitted the manufacturer to unilaterally alter the discount rate at any time and generally were terminable on as little as 30 days' notice. Additionally, the manufacturers often sold their products directly to the airline industry, thereby competing directly with distributors such as Standard.

Standard's business hinged on the willingness of manufacturers to continue to sell their products to Standard at a sufficient discount to allow it to earn a profit after operating expenses. Standard attempted to provide incentive for them to do so in several ways. The manufacturers were, obviously, interested in selling as much of their products as possible. The airline customers, in turn, were desirous of having a wide variety of parts immediately available for use at major points on their routes. The manufacturers, however, were either unwilling or unable to invest the additional capital needed to maintain large inventories at diverse geographic locations. Standard filled this gap by establishing distribution facilities, stocked with ample quantities of numerous items, at key points around the country, e.g., Garden City, New York (Pan Am overhaul base), Los Angeles, California and Kansas City, Missouri (TWA overhaul bases), Miami, Florida (Eastern Airlines overhaul base), and Atlanta, Georgia (Delta overhaul base). By continuously maintaining large inventories around the country, Standard not only satisfied its suppliers,[2] but also sustained good relations with its airline customers, who wanted their orders filled rapidly and who could obtain the same goods at the same price from either Standard's many competitors[3] or the manufacturers directly. The essence of Standard's business was aptly characterized by Bollo as having "the right part, in the right place, at the right time."

By the late 1960's, Standard's inventory consisted of some 50,000-60,000 different items, ranging in unit price from a nickel to $20,000, with most items (over 99%) costing under $500, and accounted for approximately 60% of its total assets. Each inventory item was maintained on a separate card, with sales and purchases manually posted to those cards on a daily basis. The sales history of any particular product could thus be readily gleaned from the inventory card. The 50,000-60,000 inventory cards were kept in open racks at Standard's headquarters in Garden City. By the end of 1968, the manual inventory system had been approximately 50% computerized (IBM punch-cards) in order to tie in with the inventory system adopted by the airlines.

Standard sold both units and piece parts. Units, which comprised about 5% of Standard's total sales, are complete parts, e.g., generators, ready to go on an engine or airplane. Piece parts, which comprised the balance of Standard's sales, are essentially replacement or spare parts, such as brushes in the generators.

Standard's total annual sales for the years 1965-1967 were as follows:

1965 - $5.9 million
1966 - $6.6 million
1967 - $7.8 million

Between 1961 and 1967, Standard's gross profit margin was steadily between 20% and 23%.

PCC's 1967 Investment in Standard

PCC's original interest in Standard in 1967 appears to have coincided with PCC's acquisition in that year of a controlling interest in a supplemental airline. On July 31, 1967 PCC's wholly owned subsidiary, First Grant Corporation ("First Grant"), acquired American Flyers Airline Corporation as a 90% owned subsidiary. American Flyers, an air carrier certificated by the Civil Aeronautics Board, was authorized to operate charter passenger and cargo flights throughout the United States and to Canada, Mexico and the Carribean and also charter passenger flights to Europe, Asia and Africa. In addition to turbo prop and jet aircraft it owned or intended to acquire, American Flyers, also leased Boeing jets from another First Grant subsidiary, Grant Aviation Leasing Corporation (87% owned). It would appear to have been PCC's intention, through American Flyers, to promote and develop a commercial airline business including transatlantic passenger charter flights using long-range jet aircraft. These, of course, would require aircraft maintenance and repair and the availability of repair parts.

In June 1967, shortly before concluding the American Flyers acquisition, PCC, through its same subsidiary First Grant, made its first investment in Standard. By agreement dated June 8, 1967, between Standard and Bollo, as sellers, and First Grant, as purchaser, PCC acquired a total of 84,000 shares of Standard common stock for $588,000 ($7 per share). DX V. Prior to the June 8 agreement, PCC had already purchased 23,000 shares of Standard on the open market[3a] at a cost of $147,432 (approximately 6-3/8 a share). As a result of these purchases and a year-end stock dividend of 5,349 shares, PCC at the beginning of 1968 held 25% of the outstanding shares of Standard.

Although PCC declined Bollo's invitation to be represented on Standard's board of directors, it appears to have been fully cognizant of Standard's basic financial data over a considerable time period as well as its position in the field. The June 8, 1967 agreement recites (and no one has questioned) that PCC, prior to making its initial investment was supplied with financial statements (balance sheets, income statements and related notes) for each year dating back to December 31, 1961.[4] Moreover, Richard M. Johnston, then assistant to the president of PCC, who was involved in the investigation and negotiations for the 1967 agreement, made a comparison of Standard with other companies in the field, see n. 3 supra, and personally discussed its business with Bollo at Standard's headquarters in Garden City, Long Island.[5] Indeed, as the calendar rolled into 1968 - the boom year for conglomerate acquisitions - it is quite apparent that Johnston had already made a further analysis of Standard's operations for the first eight months of the year in comparison with its prior seven years' earnings when, on September 27, 1968, he confirmed to PCC the news that another company had held discussions with Bollo regarding a takeover. PX 10, DX F.

We now turn to the events, transactions and claims which gave rise to this action.

PCC's Acquisition of Standard

There can be little question that the event which triggered PCC's virtually total acquisition of Standard was Johnston's news that Premier Industries of Cleveland had made a formal offer to Bollo to acquire his remaining 55% of Standard's shares in contemplation of making a tender offer to the minority stockholders, including PCC. As reported by Johnston, PX 10, Premier had retained White, Weld & Company to study the aviation market for possible acquisitions and Standard had been chosen. Premier's offer for Bollo's stock was in the form of 4-1/2% convertible preferred stock having an equivalent value of $12.50 a share. Public holders of Standard shares and PCC were to be offered a choice of cash or convertible preferred at an equivalent price of $15 a share. According to Johnston, Bollo was interested in knowing "if we would be interested in buying Standard and supplying the necessary aid." PX 10. The latter reference was to Bollo's fear that Premier would not be in a position to supply sufficient help to Standard because another recent major acquisition of Premier's was having difficulties.

PCC's reaction to the Premier offer was prompt. In October 1968 discussions were held between Bollo and PCC's chairman and president, Henry L. Hillman. Also in attendance were Putnam B. McDowell, a vice-president and director of PCC, and Johnston. Bollo offered to sell his stock for $16 a share its then market quotation price. Hillman sought a lower price by 10-20%, based on what he considered an appropriate price-earnings ratio. Bollo rejected that offer and left the meeting believing that was the end of the matter. A few days later Johnston called and said PCC was willing to pay $16 and ready to go ahead with the deal.[5a]

The deal between PCC and Bollo was embodied in a written agreement executed December 20, 1968, PX 2, which was identical in substantial part to the June 1967 agreement, DX V, with respect to the warranties and representations of Bollo upon which this action is based. The 1968 agreement provided in substance that PCC would first make a tender offer for the stock of Standard's public shareholders at $16 per share and thereafter Bollo would sell to PCC, at $16 per share so much of his stock as was required to make PCC the owner of 80% of Standard's shares. PCC also agreed to employ Bollo as president of Standard for five years at a salary of $65,000 per annum and, at his option, to purchase his remaining shares at a price formula which guaranteed him at least

$12 per share. PCC also had the prior option to purchase such shares at the same price or terms offered to Bollo by third parties.

PCC's obligations under the agreement were conditioned upon its obtaining an exemption from the Securities and Exchange Commission (because of its investment company status) and either exemption or approval from the Civil Aeronautics Board (because of its American Flyers acquisition). To allow time for this, the closing date was originally set for no later than June 30, 1969. On December 31, 1968, pursuant to the agreement, PCC nonetheless went forward with a tender offer to stockholders other than Bollo. A total of 71,309 shares were tendered for which PCC eventually paid $1,140,944.

Due to delays in obtaining SEC and CAB clearances the closing specified in the agreement did not take place until September 18, 1969. At that time PCC paid Bollo $2,740,832 for 171,302 additional shares needed to increase PCC's holdings in Standard to 80%. Bollo, for his part, delivered the certificate required by paragraph 6(d) of the agreement, which provided:

> "(d) The representations and warranties contained in Paragraph 2 of this Agreement shall be true and correct as of the Closing Date, with the same force and effect as though they had been made at the Closing Date, and there shall have been delivered to Purchaser the certificate of Bollo, President of Standard, dated the Closing

Date to such effect, . . ." PX 2.

In that certificate Bollo again warranted and represented that all financial statements furnished to PCC through September 30, 1968,

> ". . . have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the period involved. All such statements fairly present the financial position of Standard as of the dates thereof and the results of operations for the periods indicated.
>
> (f) Since December 31, 1967, there has been no material adverse change in the financial condition of the company as evidenced by most recent balance sheet information except that, as you know, earnings in 1969 have been reduced due primarily to the investment in start up expenses of our Kansas City operation." PX 3.

It would appear that coincidental with the closing, a meeting of Standard's board of directors was held at which McDowell of PCC was elected chairman, Bollo was continued as president, and other PCC representatives were appointed vice-president and secretary. See DX D. In October 1970 Bollo resigned at PCC's request, his salary being paid until February 1971.[6]

For the year 1968 Standard's sales were 9.1 million, an increase of 17% over 1967 sales of 7.8 million, but net profits declined by $39,125. This decline was in substantial part attributable to a federal income tax surcharge. DX KK. In 1969 annual sales increased again to 9.27 million. PX 1.

In 1970 - characterized as the year of the "aviation recession" - sales dropped to 8.7 million, followed by a further drop in 1971 to 7.9 million. Id. In 1972, however, sales rose to 10.8 million, the highest in Standard's 39 year history. Id.

The relative profitability of these fluctuating sales figures was not disclosed in the evidence. Plaintiff's primary claim is that Standard's future profitability and growth had suffered severe setbacks because of material changes in major distributor relationships which Bollo had failed to disclose during the 1968 takeover negotiations and prior to the September 1969 closing. Had this information been made known, it is claimed, it "might well have discouraged" PCC from going forward with the deal, at least at the prices paid for the stock acquired under the 1968 agreement. To the specifics of PCC's claims we now turn.

Events Before the 1968 Agreement

Essentially PCC claims that contrary to facts known to him, Bollo led it to believe that Standard was in a strong position to gain substantial new business selling parts for the so-called "second generation" or wide-bodied jet airliners, the Boeing 747, Lockheed 1011 and Douglas DC-10, when they came into use. Standard's largest suppliers of such parts were Whittaker Corporation and two divisions of Bendix Corporation, Navigation & Control Division ("Bendix N & C") and Energy Controls Division ("Bendix E & C"), which, as previously noted, collectively accounted for more than half Standard's distributor sales. Standard's sales margin and profits depended, of course, upon the discounts available from its suppliers. Whittaker extended Standard a discount which varied from 15% to 22% depending on the size of Standard's monthly orders. Bendix N & C had traditionally extended standard a 50% discount from list on items which Standard resold at a 40% discount from list, thereby realizing a gross profit of 16.7%. Bendix E & C's traditional discount to Standard was 60% from list on products which Standard resold at a 45% discount, thereby realizing a gross profit of 27.3%.

PCC charges that Bollo was aware as early as 1967 that his Whittaker distributorship was in jeopardy and that Whittaker management was being urged to divert the business handled by Standard to Whittaker's own Aircraft Components Division ("ACD"), which sold Whittaker products directly to users such as the airlines. In support of its charge, PCC points to two internal memoranda of Whittaker surreptitiously obtained by Standard's Los Angeles branch representative. PX 12 and 13. Both were written by one Danks, an obviously ambitious subordinate desirous of increasing the importance of ACD but lacking the authority to effectuate his proposals. The earlier was dated January 6, 1967, months before PCC appeared on the scene, and the later memorandum, dated July 8, 1967, PX 13, appears to be only a rough draft of a proposal to his superior.

Bollo acknowledged he had seen and discussed these memoranda about the time they were obtained but had concluded there was nothing Standard could doabout Danks' hostile views. In view of Whittaker's uninterrupted relationship with Standard during 1967,[7] 1968 and 1969, and the ambiguous import of the memoranda, they cannot fairly be regarded as "facts" which ought to have been brought to PCC's attention in 1968 or clear notice to Bollo that he could not expect to supply parts when the air busses began operating.

On the contrary, Bollo's expectations were not without basis. In between the two Whittaker memoranda, Standard had received a letter dated March 15, 1967 from Bendix N & C. DX BB. The letter pointed out that Bendix, despite "very stiff competition", had succeeded in getting "about 50%" of its instrumentation on the Boeing 747 and estimated "our package is in excess of $60,000 per airplane." More importantly, the letter declared Bendix's "intention to have our distributors participate with Navigation & Control Division on the initial provisioning and handle all spare orders."[8] DX-BB, p. 2.

A year later, Bendix N & C was still raising the hopes of its distributors. In a letter to Standard dated April 1, 1968 - some six months before the start of the 1968 negotiations with PCC - Bendix reported its progress "in winning a sizeable avionics package on the Boeing 747 and we hope to do the same on the SST and Airbus airplanes." PX 17. The news was not unmixed. Bendix also noted that "the commercial aircraft industry with its ever increasing competitive picture has created several financial and support problems for us." In consequence, Bendix advised, it would reduce its discount rate, effective May 1, 1968, to 42.5%, with the airline net at list less 40%, covering "all commercial end items" which included "initial provisioning as well as follow-on spares". The letter, however, continued: "We are encouraging all the airline customers to do their initial provisioning of end items spares through our distributors. We conservatively estimate on the 747 alone that there is a market potential from 1970 through 1975 of over $10,000,000." Id.

Bollo testified without contradiction that the reduced discount on "commercial end items" did not affect the bulk of Standard's N & C business, which was the sale of spare parts or "piece" items as distinguished from "end items" or units (e.g., an entire generator). He also pointed out a similar reduction had occurred when the Boeing 707 and BAC 111 first came into operation and equipment manufacturers sought to recapture their costs by passing part of them along to the distributors. After the initial provisioning period ended, Bollo testified, the discount rate returned to "normal".

The most serious event in the pre-contract period affecting Standard's future business prospects was a discount reduction announced by Bendix E & C on October 30, 1968. In a letter of that date, PX 20, Bendix advised that effective January 1, 1969 the discount on rotors, stators and linings would be reduced from 60% to 54% off list. Bollo conceded that those parts represented a substantial portion of Standard's airline wheel and brake business, estimating it at close to 60%.

The effect of the discount change was to reduce Standard's gross profit on the sale of such parts from 27.3% to 16.4%. The discount on all other E & C parts remained at the historical 60%. In the three-year period 1965-1967, Standard's sales of E & C parts aggregated $3,921,000. PX 1. For the three-year period 1968-1970, the overall total increased to $4,883,000. How much of these sales was affected by the discount reduction and its actual effect upon Standard's profitability was not shown.

Events Before the September 1969 Closing

Adverse developments affecting Standard's hopes of distributing parts for the wide-bodied jets followed rapidly upon the signing of the December 1968 agreement. In January 1969, Jerry Bollo, brother of defendant Bollo and senior vice-president of Standard,[9] visited Whittaker's California headquarters. While there he was informed that "in all probability, we [Standard] will not be handling either unit or spare part support business on these aircraft." PX 14. He was assured, however, "that our current jet program is secure for a minimum of two years." Id. He prepared a memorandum about this, PX 14, the contents of which he discussed with defendant Bollo.

On February 6, 1969 the foregoing information was partially confirmed in a telex message to Jerry Bollo from Danks of Whittaker's ACD division. PX 15. Standard was therein advised that "all initial provisioning for the 747 aircraft" would be accomplished through ACD. This telex was also discussed with defendant Bollo. Jerry Bollo testified he did not show either his memorandum or the telex, PX 14 and 15, to anyone at PCC, nor did he know anyone who did. He acknowledged, on cross-examination, however, that the information was no secret at Standard and that the mid-management group, a dozen people, knew of it in detail.

In April 1969 Standard's hopes for second generation jet business were dealt another blow. Bendix N & C, reversing its prior plans, wrote Bollo on April 11 advising that "for the 747, DC-10, and other new programs, we have decided that as of 1 May 1969 we will serve the airline aftermarket on a factory-direct basis rather than through our distributors." PX 23.[10] The N & C letter continued, however, that "aviation distributors have an important and effective role in serving our airline aftermarket, and . . . we look forward to continuing our distributor program for other products and aircraft." Id.[10a]

Jerry Bollo testified that a direct result of Bendix N & C's change in plans was the cancellation of $725,000 in initial provisioning orders for Boeing 747 unit spares which Pan American World Airways had already placed with Standard. These orders had been issued to Standard on various dates between November 7, 1968 and February 20, 1969 and called for shipment by Standard on August 15, 1969. On May 9, 1969 Jerry Bollo returned them to Pan American "[i]n accord with instructions from Navigation & Control Division and our recent telephone conversation . . . ." PX 32.

On that same date, May 9, 1969, Standard held its annual meeting and a board of directors meeting, both attended by PCC's McDowell.[11] Despite the large size of the lost Pan American order, the brief minutes of the directors' meeting make no reference to it. DX-M. Nor is it mentioned in McDowell's contemporaneous and comprehensive memorandum of the discussions at those meetings, PX 8.[12]

The directors' minutes reflect that Standard's annual report was discussed. This presumably involved a review of the annual audit report covering operations for 1968 as prepared by the company's outside accountants. DX-KK. The report reflected that although sales increased by 1.3 million over 1967, net profit declined by $39,125 due to increases in expenses and a 10 percent Federal income tax surcharge. Also discussed were first quarter earnings for 1969, which McDowell's memorandum notes "were off substantially from last year's $83,000 after taxes to $45,700 on slightly increased sales." PX 8.[13]

What PCC particularly points to in support of its claims of non-disclosure and affirmative misrepresentation on Bollo's part is the following passage in McDowell's memorandum:

> Someone in the meeting estimated that when the 747's go into operation, the amount of Bendix and Whitaker equipment on these airplanes may result in annual sales volume of $250,000-300,000 per 747 for Standard Aircraft. Whether this applies to all 747's or only to those in certain areas was not made clear. The point is that Standard feels that it is in an excellent position on the 747 program. (PX 8, p. 3; emphasis supplied).

Following these meetings McDowell on May 14, 1969 rote Bollo requesting financial statements used by management for the year 1968 and for the first quarter of 1969, as well as the regular monthly financial reports thereafter. DX-II. His stated reason for the request was:

> We would like to see these in enough depth to begin to get a feel of the relative profitability of the different branches and parts of the business, and so that our accounting people can start their thinking in connection with consolidation of the financial statements. After we have had a chance to review these, we will want to send down two of our men to become more familiar with your method of reporting and accounting.

Bollo appears to have provided the desired information. See DX-JJ.

In July 1969 McDowell sent his assistant for planning and control, Rodney L. Bonar, to Standard's Garden City headquarters. Well trained in business administration, Bonar's overall function was to analyze profit variables of PCC subsidiaries as directed by McDowell. His assignment at Standard was "to examine the company to determine the critical variables . . . profit variables, to find out what we should be watching or examining as to the profitability of that company." Tr. 118. His previous acquaintance with Standard's business consisted of an examination at PCC in "the fall of '68 . . . November, December" of financial analyses which McDowell had received from Johnston, to "see if any problems, or red flags . . . showed up, and bring them to [McDowell's] attention." He saw none at that time. Tr. 117.

Bonar spent a day [illegible] Standard during which he spoke to Bollo on four occasions: first, before interviewing J. E. Rushia, vice-president for material; second, before interviewing S. Fronckwicz, vice-president for production; third, before interviewing Peter Bollo, vice-president of Standix, Inc., the Standard subsidiary which disposed of written-off inventory and resold used or surplus units and parts acquired from other sources; and fourth, when Bollo drove Bonar to the airport to return to Pittsburgh. The results of Bonar's discussions and observations "on the operations at Standard" are fully set forth in a five page memorandum he prepared for McDowell promptly upon his return. PX 9. It covers management organization, branch and subsidiary sales, inventory policies and control, warehousing, and the inventory and financial impact on Standard of "[t]he company's intention . . . to increase sales to general aviation". PX 9, p. 2.[14]

On the subject of inventory policies and control, after noting that "[t]he final decisions and important decisions are really made by J. Bollo and L. Bollo in concert", the Bonar memorandum states:

> Standard's inventory "write-off policy" requires that if an inventory item has no sales or inquiries within 2 years the inventory is written off to zero. The item stays at zero value with Standard for another 2 years after being written off. At the expiration of the 2 year period if no sales occur, it is donated to Standix for resale. Current accounting practice is to reserve $4,000 a month or $48,000 a year for inventory write-offs. This is roughly 1.4% of year end 1968 $ inventories. (PX. 9, p. 2).

The quoted paragraph is relied on by PCC as the basis for additional claims of misrepresentation and breach of warranty by Bollo, for which it seeks recovery of at least $381,982 in asserted damages as part of its general damage claim.[15] Simply stated, PCC's position is that Bollo represented to Bonar that Standard consistently followed a policy of writing off each year the cost or market value (whichever was lower) of inventory items which had remained unsold for a two-year period. The parties have stipulated that this was not in fact done, PX 1, ¶ 4.[16] PCC contends that the effect of this failure to write-off "dead stock" was twofold: (1) it resulted in an over-statement of pre-tax income in the years 1965-1968 thereby inflating the price paid by PCC for Standard's stock even at the price/earnings ratio recommended by defendant's expert as an index of its value; and (2) it caused an overstatement by some 10 percent of the true value of

Standard's inventory acquired by PCC.

Aside from the parties' stipulation, PX 1, n. 16, supra, the evidence on the subject of inventory write-off policy was both conflicting and confusing. More will be said about the conflicts in evidence later. Suffice it to say for now that McDowell testified he relied on Bonar's above-quoted paragraph as assurance that Standard "had a regular process for adjusting for slow-moving or obsolete inventory", Tr. 40, but later learned from a 1970 audit conducted by Price, Waterhouse, PCC's own accountants, that Standard would have to write off "a substantial amount of obsolete and/or slow moving inventory . . . in excess of a million dollars" over a period of two or three years. Tr. 64-5.

On September 10, 1969 - about a week prior to the closing - Bonar visited Standard again for the purpose of reviewing and discussing estimates of "preliminary sales and earnings forecasts" which McDowell had requested Bollo to have ready. DX D. These forecasts were to cover

> 1. Anticipated sales and earnings on the new major sales such as Eastern, United, NARCO, etc. This is for the purpose of backing up our investment in or loan of added working capital.
>
> 2. An estimate of sales and earnings for the full year 1969.

3. A preliminary look at 1970 sales and earnings. This will provide the framework for developing a formal budget for 1970 as well as for preliminary cash planning for PC&C. (DX D).

Bonar's three page memorandum covering that visit, dated September 11, DX G, sets forth the actual and estimated sales of Standard for the first and second half of 1969, net income after taxes and its percentage relationship to net sales. It discloses that although sales were expected to increase over 1968, net income after taxes would decrease about 60 percent. Also listed were anticipated sales in 1970 to current customers and specified new customers, indicating 747 business where applicable. Standard's estimated cash needs for inventory required for the specified anticipated sales and refinancing of existing bank debt were itemized. And finally, the memorandum provided a summary analysis of the impact of the new sales contracts in terms of projected net sales, inventory, inventory turnover and net income after taxes for the year 1970 and one to two years thereafter.

Except for the assertedly undisclosed Bendix discount reductions and the freeze-out on distributor sales of Whittaker-Bendix second generation jet parts, the foregoing capsulizes the essential information PCC had at the time of closing on September 18, 1969, regarding Standard's business operations, its existing and potential suppliers and customers, and its profitability and financial problems. McDowell readily conceded that prior to the closing no one at PCC had reported any difficulty in having questions answered by Standard personnel. Both he and Johnston also agreed that Bollo had never refused to answer their questions or supply any documents they requested, or prevented visiting PCC representatives from ascertaining whatever they wanted to know.

Post-Closing Events

The facts and circumstances relating to the claims in controversy would not be complete without mention of a chain of post-closing events which in all likelihood provoked this litigation and brought about Bollo's hastened resignation as president of Standard in October 1970. The first occurred on July 27, 1970, when Whittaker notified Standard that their distributorship agreement would be cancelled completely, effective February 1, 1971. DX K.[17] The second event was a notice from Bendix, dated September 1, 1970, cancelling as to all distributors its "product lines manufactured for transport category aircraft," effective October 1, 1970. DX N. Bendix N & C and E & D Division products were cancelled in entirety. Other divisions were left available to distributors; i.e., "where [their] products have significant general-aviation applications as well as airline usage, it is our desire you continue to handle these along with other general-aviation products." DX N. The third event, already adverted to, was the Price, Waterhouse audit received in the fall of 1970, which alerted McDowell to the need for substantial inventory writeoffs. All these events, it should be noted, occurred in a period which PCC's own expert witness, William Carolla, referred to as the "aviation recession." Tr. 440.[17a]

McDowell testified that not until after the closing did he become aware that Standard's contracts with its suppliers were cancellable on short notice, Tr. 63, although he conceded knowing that a cancellation clause is common to most distributor contracts. Tr. 83. He further acknowledged that in a deposition taken almost two years earlier, he had testified he thought it was not until the Bendix cancellation that he became "knowledgeable about the form of the contract, the cancellation provisions." Tr. 62.[18] Bonar, his assistant, testified he did not ask to see Standard's supplier contracts; but admitted he had stated on pre-trial deposition that he inquired at Standard during his July 1969 visit as to whether the contracts were terminable at the decision of the supplier and was told they were. Tr. 129-30. McDowell admitted that

Bonar never reported this to him and that he had never asked Bonar why he had not. Tr. 64.[19]

The Merits of PCC's Claims

Securities Fraud

PCC's Rule 10b-5 claim of concealment and misrepresentation rests substantially on the testimony of McDowell and Johnston. Both testified they had not been informed or had known prior to the closing that Bendix N & C and E & C had reduced their distributor discounts or that Whittaker and Bendix would not use distributors in selling repair parts for the "second generation" jets. PCC contends that Bollo was fully aware of these "facts," deliberately concealed them, continued to represent optimistic prospects for 747 jet business and thereby caused PCC to conclude the acquisition of Standard "on the basis of false and misleading statements and material non-disclosures."[20]

Bollo testified - with some manifest inconclusiveness of recollection - that PCC was "kept informed" of all such developments. PCC urges that Bollo's vagueness of recollection and inconsistencies between his deposition and trial testimony make him unworthy of belief, indeed a liar. If he is to be believed, says PCC, then its witnesses must be held to have deliberately lied. Granted that some of the testimony was conflicting, the evidence as a whole does not warrant the suggested "either/or" approach with respect to credibility.

Without branding Bollo as unworthy of belief, the court accepts McDowell's and Johnston's testimony that they were not aware of the Bendix N & C letter of April 1, 1968, or the Bendix E & C letter of October 30, 1968, PX 20, pp. 14-16, supra, or the reductions in distributor's discount rates those letters effected. Obviously the April letter, received almost six months before the proposal that PCC acquire Standard was even discussed, was hardly likely to be a reasonable subject of PCC interest. This is especially so when the discount reduction had no substantial impact on Standard's business of selling "piece" parts rather than units to which the lower rate applied.

The October letter arrived shortly after the "handshake deal" but obviously prior to the signing of the acquisition contract on December 20, 1968. It lowered the distributors' discount on certain parts to 54 percent, down from 60 percent, effective January 1, 1969. Since its effect would be to reduce profit margin on wheel and brake parts - which Bollo estimated to be about 60 percent of the Bendix E & C product line handled by Standard - it represented an arguably material development because of its impact on future earnings. Its claimed significance as an undisclosed fact vanishes, however, in light of PCC's microscopic scrutiny of Standard's profit margins, sales and earnings - actual and projected - over the ten year period 1961-1970. PX 10, DX F and G.

There is not the slightest doubt that the financial results of Standard's business operations - the only material information of interest to PCC - were an open book. Indeed, before McDowell signed the December contract, he made sure there were no "red flags" by having Bonar review Johnston's financial analyses, p. 20, supra. Surveillance of Standard's financial health and progress became even more intensive as McDowell took hold and the day of closing approached. PX 8, DX II, DX JJ, PX 9, DX D, DX G. Prior to the closing, PCC was well aware that even though Standard's sales in 1969 were likely to increase over 1968 - which they did, PX 1, ¶ 7 - its net income after taxes for 1969 would decrease about 60 percent. See p. 24, supra, and DX G. PCC apparently did not question this substantial decline and went ahead with the closing. The inference is inescapable that it either knew the reasons[21] or considered them immaterial to its ultimate objectives in completing the acquisition.

Turning now to the claimed evidence of misrepresentation in the pre-contract period, a similar lack of substance is manifest. The genesis of the claim is a paragraph quoted in the margin[22] found in Johnston's memorandum of September 27, 1968. PX 10. As previously noted, p. 8, supra, it was that memorandum which undoubtedly accelerated PCC's action to complete the acquisition of Standard before another conglomerate took it over. The only statements in that paragraph were Johnston's, not Bollo's. Johnston admitted he never sent a copy to Bollo. Bollo therefore had no opportunity to correct it.[23]

The gist of the misrepresentation claim is that Bollo deceived Johnston and later McDowell into believing that Standard could expect continued sales growth supplying Whittaker and Bendix parts for the Boeing 747 and other wide-bodied jets when they came into use. There is nothing in the Johnston memorandum to support such a claim or in his testimony at trial. The optimistic statements properly attributable to Bollo as of September 25, 1968, were factually well-founded in view of the Bendix H & C April letter reassuring Standard that airline customers would be encouraged "to do their initial provisioning of end items spares through our distributors" and that "on the 747 alone . . . there is a market potential from 1970 through 1975 of over $10,000,000." PX-17. As regards Standard's relationship with Whittaker, there is no question that in April 1967 Whittaker had renewed the distributor agreement, DX V, in spite of its employee Danks' competitive animus toward Standard. The internal memoranda he authored in early 1967 have already been rejected as any basis for a claim of misrepresentation here. See pp. 13-14, *supra*. Certainly they were hardly *new* information that required disclosure when Bollo informed Johnston in September 1968 of Standard's expectations of additional business from Bendix and Whittaker after the jumbo jets went into service.

What PCC really claims is that developments occurring *after* it made its commitment to acquire Standard imposed a duty of disclosure under Rule 10b-5. The commitment to Bollo was made on December 20, 1968, when PCC executed the agreement, PX 2, and thereby agreed to purchase shares of Standard held by public stockholders and so much of Bollo's stock as would give PCC 80 percent ownership. PCC concedes that its commitment to the public shareholders was complete on December 31, 1968 when it made its tender offer.[24]

For purposes of a Rule 10b-5 claim, events occurring after the commitment to purchase stock has been made are irrelevant. Issues of non-disclosure, misrepresentation, materiality and reliance are to be determined by the situation and knowledge of the parties at the time they committed themselves, and not on the basis of subsequent events, even though they occur prior to "the formal closing date when the delivery and payment are formally completed and cleared." Radiation Dynamics, Inc. v. Goldmuntz, 464 F.2d 876, 890 (2d Cir. 1972).

PCC's attempted distinction of this case from Radiation Dynamics, supra, does not postpone the "commitment" date to the time of closing on September 18, 1969. Granted that PCC's "obligation . . . to purchase the Balance of 80% of Standard Stock is subject to fulfillment of each of the following conditions," PX 2, ¶ 6, it is nonetheless plain that "in the classical contractual sense, there was a meeting of the minds of the parties" on December 20, 1968, marking "the point at which the parties obligated themselves to perform what they had agreed to perform even if the formal performance of their agreement is to be after a lapse of time." Radiation Dynamics, supra, at 891.

Nor was the time of commitment affected by the fact that one of the "conditions" imposed on Bollo read as follows:

> (d) The representations and warranties contained in Paragraph 2 of this Agreement shall be true and correct as of the Closing Date, with the same force and effect as though they had been made at the Closing Date. . . . (PX 2, ¶ 6).

The "representations and warranties" principally relied on by PCC are the following:

> (e) . . . all such financial statements [of Standard] have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved. . . . (PX 2, ¶ 2),

and

> (f) Since December 31, 1967, there has been no material adverse change in the financial condition or in the business or operations of Standard. Id.

The foregoing "representations" were obviously made on the basis of Bollo's knowledge as of December 20, 1968. Rule 10b-5 liability could only attach if on that date the material facts incorporated in the representations were untrue or misleadingly incomplete to Bollo's knowledge at that time and were relied on by PCC in making its commitment to acquire control of Standard.

As already noted, there is no substantial evidence of material omission or misrepresentation on Bollo's part in the pre-commitment period to support PCC's Rule 10b-5 claim. At best its claim amounts to the assertion that Bollo's intimate knowledge of Standard's affairs required him to predict for PCC that Whittaker and Bendix's N & C and E & C Divisions would in 1969 decide not to use distributors for the sale of repair parts for the second generation jets; that in 1970 the "aviation recession" would occur; and that Whittaker and Bendix, in their own self-interest, would then terminate Standard's distributor agreements for their commercial airline products. Rule 10b-5, however, does not place such an obligation on Bollo. It requires "nothing more than the disclosure of basic facts so that outsiders may draw upon their own evaluative expertise in reaching their own investment decisions with knowledge equal to that of the insiders." S.E.C. v. Texas Gulf Sulphur, 401 F.2d 833, 848-49 (2d Cir. 1968), cert. denied, 394 U.S. 976 (1969). Here, PCC - itself the owner of a commercial airline, a sophisticated investor and an "insider" of Standard - had unrestricted access to Standard's basic business data upon which its investment decision was manifestly based. That PCC availed itself of such access to the extent considered pertinent is amply shown by the evidence.[25] Once the basic data was disclosed Bollo was under no further duty to anticipate PCC's interest in matters which did not assume importance until this action was commenced in March 1971.

Common Law Fraud

The gist of PCC's fraud claim is that Bollo permitted PCC to go through with closing the purchase of Standard knowing it was acting under a mistaken belief as to material facts induced by him. Those "facts" according to PCC were essentially (1) that Standard's "good" relationships with its three major suppliers - Whittaker and Bendix [illegible] & C and E & C - could be expected to lead to increased growth by way of sales of repair parts for the second generation jets; and (2) that Standard wrote off "deadstock" inventory each year in accordance with generally accepted accounting principles. PCC claims these "facts" were untrue and known to be so by Bollo but not by PCC, which relied on them to its damage.

To prove a claim of fraud it is requisite to show (1) representation, (2) falsity, (3) intent to deceive, (4) deception, and (5) injury. PCC concedes that these requirements are if anything more rigorous than the findings required for a Rule 10b-5 claim.[26] And indeed they are, for it is settled under controlling New York law that the evidence of fraud "must be clear and convincing and the inference of fraud unequivocal." Manchel v. Kasdan, 286 App.Div. 483, 144 N.Y.S.2d 694 (1st Dept. 1955), affd, 1 N.Y.2d 734, 151 N.Y.S.2d 940.

In support of its fraud claim PCC relied chiefly on testimony of McDowell and Bonar and their contemporaneous memoranda concerning events which occurred in 1969 prior to the closing. McDowell disclaimed any knowledge that Whittaker and Bendix N & C in February and April, respectively, had already notified Standard of their decision to deal directly with the airlines and not through distributors in supplying repair parts for the second generation jets. PX 15, PX 23, pp. 17-18 supra. As strong evidence of the asserted deception practiced upon it, PCC points to McDowell's memorandum summarizing the discussions at the May 9 directors' meeting, in which he reported Standard's feeling "that it is in an excellent position on the 747 program." PX 8, p. 19 supra. Bonar, who visited Standard in July 1969 to examine "the profitability of that company," pp. 20-22 supra, also testified to conversations with Bollo which fostered the impression that Standard's relationship with Whittaker and Bendix continued to be "good." Tr. 131.

PCC contends that far from being good, Standard's relationship with its two major suppliers was getting worse; that Bollo knew the Whittaker-Bendix notices portended declining sales, not growth, since the introduction of the second generation jets would decrease the need for repair parts on the 707s and older aircraft which Standard serviced; and that Bollo nonetheless kept reporting favorable developments, e.g., the August 1969 Eastern and United Airlines orders, DX C, while concealing "material adverse changes" in Standard's business in order to insure that PCC would close the acquisition.

Although Standard's hope for increased sales growth when the big jets began service was undoubtedly a frequent subject of discussion with PCC officials, there is no convincing evidence of fraudulent representation on Bollo's part or that PCC was deceived into consummating the aquisition. The dismal prospects portrayed by PCC's broad strokes fade considerably when the evidence it relies on is closely examined in context with other facts.

For example, the Whittaker telex in February 1969, PX 15, which removed "initial provisioning for the 747 aircraft" from Standard's future reach could not have been a surprise to PCC. McDowell acknowledged he was aware prior to the closing of "the possibility that the initial stocking might be performed by the manufacturers." Tr. 36. Such a concession is fatal to any claim that PCC was induced to complete the acquisition by false representations of Bollo that Standard could count on increased sales supplying parts for the big jets. Those aircraft, still in the process of manufacture in 1969, were almost a year away from delivery to airline customers.[27] It was a matter of common knowledge that the big jets represented an enormous outlay of capital for the airlines and that their economic feasibility had yet to be tested. As the Bendix letter of April 11, 1969, PX 23, n. 10 supra, plainly indicates, the airlines had prudently exacted from the manufacturers "such assurances as three-year product warranties . . . and ceilings on the cost of repair parts per flight hour." PCC, as the owner of a commercial airline, could not have been unaware of these widely known industry developments and of their probable impact upon the role of distributors. Indeed, PCC's alacrity in gathering in Standard's publicly held shares strengthens the conclusion that other factors apparent from the evidence induced its investment decisions, not the expectation of future "pie in the sky" as now claimed.

In March 1969, PCC went ahead and paid over one million dollars to Standard's public stockholders for their deposited stock, although it was not then obligated to do so since its tender offer expressly conditioned purchase and payment on receipt of C.A.B. approval. PX 1, ¶ 2; DX MM, p. 1. That approval was not forthcoming until several months later. Obviously, if approval had been denied, PCC could not have asked for its million dollars back. The inference is inescapable that PCC, acting in accord with its own stated investment objectives, was content to make a further substantial investment in Standard, even if it could not complete the acquisition of Bollo's stock.[28]

PCC's further suggestion, through Johnston's testimony, that the $16 per share it agreed to pay was a "premium" based on Standard's anticipated earnings growth and not its current earnings evaluation is not in accord with the market facts. In December 1968 when the agreement was signed, Standard's stock was selling in the over-the-counter market at $16 per share, or 23.5 times its earnings. DX NN. In or about September, Premier Industries had offered to pay $15 cash to Standard public stockholders, p. 8 supra. PCC could hardly have offered less and the $1.00 it added was clearly designed to induce a favorable response to its tender offer. Nor was that price a "premium" for Bollo's control stock over the $12.50 in convertible debentures Premier had offered him. PCC actually acquired a total of 434,002 of Standard's shares (97%) for $5,565,708, PX 1, ¶¶ 1 and 2, which averages out to $12.75 a share, a clear indication that Johnston had priced the deal for PCC with fair precision on the basis of

Standard's earnings history and not on any anticipated earnings growth. DX F.

PCC's claim of pre-closing fraud on Bollo's part is also not aided by the statements attributed by McDowell to "someone" at the May 9, 1969 directors' meeting, PX 8, p. 19 supra. Assuming the accuracy of the statements made, they clearly are not representations of fact. McDowell was unable to recall who made the statements, Tr. 53, and recognized their ambiguity in his report. Even assuming Bollo was present and heard them made, an unequivocal inference of fraud could hardly be drawn from their context. Indeed, if McDowell's memorandum proves anything, it is that "potential new business" of Standard was recorded by him with specificity and qualified by Bollo's reservation that he did not "expect to get all of this business." PX 8, p. 3. It was McDowell's conclusion that "[t]hese figures do indicate the likelihood of substantial growth," not Bollo's. Id.

Furthermore, conspicuously absent from McDowell's list is the $725,000 Pan American order for Boeing 747 unit spares, p. 18 supra. Standard's receipt of the order had been previously reported to PCC. It could not be handled because of the Bendix N & C decision to deal directly with Pan American and the other airlines. The obvious conclusion is that McDowell omitted it from his list because he was aware that big jet business would not be available to Standard and that its need for future additional working capital would be limited to the potential new business he specified.[29] Indeed, McDowell's detailed review of Standard's branch operations and business prospects is the most convincing evidence that nothing material was misrepresented or concealed from PCC. PX 8.

In sum, far from proving fraud, the facts and circumstances developed in the evidence establish the absence of any material non-disclosures or misrepresentations of fact. It also clearly appears that PCC was the active, sophisticated seeker of investment opportunities; that in acquiring Standard it acted in accordance with well-defined long range investment objectives; that PCC's representatives were men of business skill and acumen well able to deal with Bollo, who took full advantage of the protracted opportunity they had to examine the financial status of Standard prior to closing the deal; and that the acquisition was consummated on the basis of PCC's own assessment of Standard and its compatibility with PCC's entry into the airline business and not in reliance upon the matters alleged in this suit. See Titan Group, Inc. v. Faggen, 513 F.2d 234 (2d Cir. 1975), holding that in a case such as this, where both misrepresentations and material omissions are alleged, a plaintiff must show both materiality and reliance - a burden PCC did not meet here.

There remains for consideration the second branch of PCC's fraud claim - that Bollo misrepresented Standard's inventory write-off policy thereby causing PCC to sustain substantial damage. That damage is alleged to be dual in nature: an over-valuation of the inventory of parts PCC acquired and a consequent inflation of Standard's earnings, resulting in an over-pricing of Standard's stock acquired by PCC, both from Bollo and the public stockholders who tendered their shares.

As previously noted, p. 22 supra, this claim is based on Bonar's written statement of Standard's inventory "write-off policy," PX 9, which Bonar testified was given him by Bollo. Tr. 120. Bollo denied that Standard used a two-year write-off rule or that he had stated the policy attributed to him by Bonar. Tr. 605-7. There was also controvery over what was meant by "deadstock" as distinguished from items not sold for a period of two years.

J. E. Rusnia, Standard's vice-president for materiel for some 25 years and still in that position under PCC management, testified on PCC's direct case as to inventory policy. There is no question that he was "the inventory man" but his testimony contributed little to resolving the conflict between Bonar and Bollo. He did make clear that "deadstock" encompassed obsolescent items and those which had to be discarded as directed by C. A. B. bulletins. Such items were withdrawn from inventory and written off annually. What their write-off value was does not appear. Otherwise his testimony confirmed the parties' stipulation, n. 16 supra, that in the period 1962-1968 four write-offs aggregating $137,000 were made. His description of the procedure reflected an arbitrary dollar limitation as dictated by Bollo and Rushia's own experience in deciding which items ought to be cleaned out and donated to the Standix subsidiary for possible resale.

Bonar's memorandum does not identify Bollo as the author of the stated policy and it is not possible to infer the scienter requisite for a claim of fraud. Standard was not a large company and prided its reputation for having "the right part at the right place at the right time." A portion of the inventory consisted of so-called "insurance" items - parts infrequently or rarely required but productive of good-will when available to customers who needed such a part quickly and could not obtain it from the manufacturers. The parts it sold were not perishable items (except for deadstock) and it was therefore not unreasonable to retain them in inventory for longer periods than two years based upon the experience of those who had guided the company's progress over some 35 years. Moreover, it does not appear that Standard's independent auditors ever raised any question regarding the valuation of inventory; and their verification procedure, as reflected in Standard's annual reports, DX 4, 5, 6 and DX KK, LL, appear to be consistent with generally accepted accounting practice. A charge of fraud cannot be sustained on the conflicting evidence of business practice found in this record.

Breach of Contract

PCC claims that Bollo breached the December 20, 1968 acquisition agreement in two respects. First, the failure to make inventory write-offs each year, PCC contends, was a breach of the representation and warranty that Standard's "financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved. . ." PX 2, ¶ 2(e). Second, PCC maintains, the respective decisions of Whittaker and Bendix to sell repair parts for the second generation jets directly to the airlines and not through distributors was a "material adverse change . . . . in the business or operations of Standard" which constituted a breach of the representation and warranty contained in paragraph 2(f) of the agreement, p. 33 supra. Although the Whittaker-Bendix decisions were not announced until after the agreement was entered into, PX 15 and 23, pp. 17-18 supra, PCC relies on Bollo's agreement that "representations and warranties . . . shall be true and correct . . . as though they had been made at the Closing Date." PX 2, p. 33 supra.

The parties' agreement expressly provides that it shall be governed and construed according to New York law. PX 2, ¶ 14. In New York "[i]t is well settled that in construing the provisions of a contract we should give due consideration to the circumstances surrounding its execution, to the purpose of the parties in making the contract, and, if possible, we should give to the agreement a fair and reasonable interpretation [citations omitted]." Aron v. Gillman, 309 N.Y. 157, 163 (1955). The meaning of "warranty" as used in the agreement is also well understood in New York law. "A warranty is an assurance by one party to a contract of the existence of a fact upon which the other party may rely." Metropolitan Coal Co. v. Howard, 155 F.2d 780, 784 (2d Cir. 1946). And it has long been known that if a material state of facts is warranted to exist which turns out not to be the case, the warrantor is liable for the loss or damage caused; and it is no defense that he acted upon misinformation and in good faith. Brisbane v. Parsons, 33 N.Y. 332 (1865).

Viewing the parties' agreement in light of the surrounding circumstances, there can be little question that Bollo's purpose was to sell and PCC's purpose was to acquire a going business it would continue to operate as part of its own conglomerate enterprise. There was here no sale of assets, such as a stock of inventory in which the presence of a large number of unsalable items might well constitute a breach of warranty of merchantability, express or implied, and thereby entitle a purchaser to recovery of damages. To be sure, in acquiring Standard, PCC relied in part on "financial statements" furnished by Bollo for the years 1965 through 1969, PX 4, 5, 6 and DX KK and LL, and had the right to treat them as fairly presenting Standard's inventory values and financial condition at the close of each annual period. The question remains, however, whether the financial statement warranty was in fact breached by Bollo.

Emphasizing that inventory represented the larger portion of Standard's assets, PCC argues that Standard employed a haphazard inventory write-off procedure which resulted in greatly overstated inventory values during the years

1965-69. Had Standard followed a consistent write-off policy in conformity with generally accepted accounting principles, says PCC, it would have written off an additional $183,765 in inventory "deadstock"[30] in 1967, $291,304 in 1968, and $381,082 by the date of closing, September 18, 1969. The failure to do so, PCC claims, was a breach of warranty which made it necessary for PCC in late 1970 to write off $444,247 in inventory items for which there had been no sales in the prior two years, "excess" stock and items "considered unsalable because of the Bendix cancellation." DX RR. It therefore claims as damages at least the $381,082 not written off at the time of closing.

At the core of PCC's warranty claim is a construction of "generally accepted accounting principles" which the court is unable to find reasonable in light of the nature of Standard's business and the circumstances surrounding the transaction between the parties. One can agree that the function of the certified public accountants who prepared Standard's financial reports was "not merely to verify the correctness of the addition and subtraction of the company's bookkeepers." See Herzfeld v. Laventhal, Krekstein, Horwath & Horwath, F.2d (2d Cir. 1976), Slip op., July 15, 1976, pp. 4991, 5006. The claim here, however, is not really directed to the accuracy or adequacy of the financial statements. Rather it challenges the business judgment of Standard's management in not taking greater advantage of liberal write-off opportunities at the close of each year. Such criticism, in hindsight, may be justified. It is no basis, however, for construing "generally accepted accounting principles" as a warranty that all inventory which might have been written off was in fact so treated on the company's books.

The breach of warranty claim derives no support from the repeated assertion that Bollo was the source of Bonar's version of Standard's write-off policy, pp. 22-23, supra. PCC's own witness, Rushia, corroborated Bollo's denial that Standard had any other inventory policy than the one it actually practiced. The write-off procedure as described by Rushia was undeniably haphazard, but not out of keeping with a small company whose general management practices, as Bonar put it, "are characterized by Paternalism with most of the top staff . . . having worked up through the ranks to their present position." PX 9. Indeed, McDowell had also noted that Standard's "financial man . . . is not much more than a competent bookkeeper." PX 8, p. 4.

PCC's expert witnesses also opined no more than that Standard's inventory write-off method was inadequate.

David Christopher, a partner of Price, Waterhouse & Company, PCC's outside auditors, while expressing the belief that Standard's "methodology" was not consistent with generally accepted accounting principles, conceded there was no accounting textbook authority for writing off inventory in any given period of time as expressed in a two-year rule, a six-months rule or the like. Tr. 338-40. And William Carolla, the former president of one of Standard's major competitors, n. 17a supra, thought that a write-off formula, within the range of six months to two years, based upon business judgment would not be unreasonable. Tr. 433.

Finally, it is manifest that PCC had no interest in the state of Standard's inventory until late in 1970 when it was confronted with the Whittaker-Bendix cancellations. DX RR. The Whittaker distribution agreement, DX Y, provided that on giving five months notice of cancellation, Whittaker was not obligated to repurchase inventory items but had the right to do so, the cost to be determined on the FIFO method of accounting. Whittaker, however, extended the distributorship through December 31, 1971, n. 17 supra, thereby enabling PCC to dispose of Whittaker products in the regular course of trade. The Bendix cancellation became effective October 1, 1970, and that distributor agreement gave Bendix the option to repurchase

STANDARD AIRCRAFT EQUIPMENT CO., INC.
and its subsidiaries
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
For the year ended December 31, 1966

Salaries and Wages	$494,245.18
Officers' Salaries	63,577.25
Heat, Light and Water	10,074.39
Repairs and Maintenance	6,794.59
Telephone and Telegraph	37,881.55
Shipping Expense	7,197.39
Insurance	6,289.64
Office Expense	17,245.49
Postage	10,744.85
Property Taxes	16,543.15
Payroll Taxes	22,052.00
Professional and Financial Expense	7,761.80
Salesmen's Travel and Business Expenses	65,949.13
Advertising	14,078.85
Depreciation	20,318.44
Employees' Welfare	13,200.04
State and Local Taxes and Fees	30,346.70
Miscellaneous Expense	5,313.15
Rents	52,800.00
Pension Expense	15,950.59
Officer's Life Insurance Premiums - Net	905.78
Amortization of Organization Expense	77.17
Amortization of Mortgage Expense	143.50
Freight and Delivery Expense	4,910.12
Total General and Administrative Expense (Exhibit "B")	$924,400.75

The accompanying "Notes to Consolidated Financial Statements" are an integral part of this statement.

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STANDARD AIRCRAFT EQUIPMENT CO., INC.
AND ITS SUBSIDIARIES

REPORT

December 31, 1967

PLAINTIFF'S EXHIBIT 6
71-C- 305
10-16-74

PENGAD-Bayonne, N.J.

BYRNES & BAKER
CERTIFIED PUBLIC ACCOUNTANTS
19 RECTOR STREET
NEW YORK 6, N. Y.

To the Stockholders and Directors of
Standard Aircraft Equipment Company, Inc.

We have examined the consolidated balance sheet of Standard Aircraft Equipment Company, Inc. and subsidiaries at December 31, 1967 and the related statements of consolidated income, retained earnings and capital in excess of par value for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of income, retained earnings and capital in excess of par value present fairly the financial condition of Standard Aircraft Equipment Company, Inc. and subsidiaries at December 31, 1967 and the results of its operations for the year then ended in accordance with generally accepted accounting principles consistently applied.

New York, N. Y.
March 12, 1968

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T EQUIPMENT COMPANY, INC.
S SUBSIDIARIES
TED BALANCE SHEET
31, 1967 AND 1966

LIABILITIES

	December 31	
	1967	1966
Current:		
Notes Payable - Unsecured - Current Portion	$ 76,068	$ 235,000
Mortgage and Notes Payable - Secured - Current Portion	21,680	145,456
Accounts Payable and Accrued Expenses	1,091,592	645,390
Accrued and Withheld Taxes	201,681	193,429
Total Current Liabilities	$1,391,021	$1,219,275
Long-term		
Mortgage and Notes Payable - Less Current Installments	969,673	464,168
TOTAL LIABILITIES	$2,360,694	$1,683,443
Deferred Income on Sale of Real Estate	79,268	86,474
	$2,439,962	$1,769,917

STOCKHOLDERS' INVESTMENT

	1967	1966
Capital Stock - Common - Par Value $.50 per share Authorized 500,000 shares, Issued and Outstanding 443,700 shares	$ 221,850	$ 186,286
Capital in excess of Par Value	1,029,734	439,300
Retained Earnings	1,119,300	1,022,101
	$2,370,884	$1,647,687
Less Treasury Stock - At Cost	-	28,000
Total Stockholders' Investment	$2,370,884	$1,619,687
TOTAL LIABILITIES AND STOCKHOLDERS' INVESTMENT	$4,810,846	$3,389,604

al Statements" are an integral part of this statement.

STANDARD AIRCRAFT
AND ITS
CONSOLIDATE
DECEMBER 31

ASSETS

	December 31 1967	December 31 1966
Current:		
Cash on Hand and in Banks	$ 730,798	$ 117,313
Accounts Receivable - Trade - Less Allowance for Doubtful Accounts	951,048	717,763
Inventories - (at the lower of cost or market price)	2,689,172	2,181,782
Prepaid Expenses and Other Current Assets	6,310	16,302
Total Current Assets	$4,377,328	$3,033,160
Investments	50,026	46,585
Purchase Money Mortgage Receivable	110,000	120,000
Fixed Assets - Net of Accumulated Depreciation	268,038	186,310
Deferred Charges and Other Assets	5,454	3,549
TOTAL ASSETS	$4,810,846	$3,389,604

The accompanying "Notes to Consolidated Financi

STANDARD AIRCRAFT EQUIPMENT COMPANY, INC.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
For the years ended December 31, 1967 and 1966

	1967	1966
Sales - Net of Returns and Allowances	$7,782,425	$6,597,200
Cost of Sales	6,038,591	5,194,008
Gross Profit on Sales	$1,743,834	$1,403,192
Income from Commissions Earned	10,730	6,909
Gross Profit from Operations	$1,754,564	$1,410,101
Operating Expenses	1,164,953	924,401
Net Profit from Operations	$ 589,611	$ 485,700
Other Expenses less Other Income	31,176	34,559
NET PROFIT BEFORE FEDERAL INCOME TAX	$ 558,435	$ 451,141
Provision for Federal Income Tax	255,237	199,000
NET PROFIT FOR THE YEAR	$ 303,198	$ 252,141
Prior Years' Adjustments	-	2,658
	$ 303,198	$ 254,799
Common Stock Dividend at Market Value	205,998	154,841
	$ 97,200	$ 99,958
Retained Earnings - Beginning of year	1,022,100	922,143
RETAINED EARNINGS - End of year	$1,119,300	$1,022,101

The accompanying "Notes to Consolidated Financial Statements" are an integral part of this statement.

BEST COPY AVAILABLE

STANDARD AIRCRAFT EQUIPMENT COMPANY, INC.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE
For the years ended December 31, 1967 and 1966

	1967	1966
Balance at Beginning of Period	$ 439,300	$278,759
Add: Excess of the proceeds from sale of Treasury Stock over its cost	70,000	22,000
Excess of the proceeds from sale of common stock over its par value	325,000	-
Excess of market value over par value of common stock issued as a stock dividend	195,434	138,541
Balance at End of Period	$1,029,734	$439,300

The accompanying "Notes to Consolidated Financial Statements" are an integral part of this statement.

STANDARD AIRCRAFT EQUIPMENT COMPANY, INC.
"NOTES TO CONSOLIDATED FINANCIAL STATEMENTS"
December 31, 1967

1. LONG-TERM LIABILITIES

The Corporation is indebted to Home Life Insurance Company on unsecured notes in the amount of $976,372, with interest at 6 3/4%. Monthly payments of $11,482.42 which includes interest and amortization, are due until maturity, July 1977. This loan agreement, which was entered into in August 1967 contains certain provisions regarding the maintenance of working capital, additional borrowings, mergers and sale of assets, and other restrictions. The loan agreement also specified that the proceeds of this loan were to be used to pay off the indebtedness to the Franklin National Bank in the amount of $488,550 and for any other lawful corporate purpose. The Corporation is not in default of any of the foregoing provisions.

The land, buildings, and improvements at Farmingdale, New York are pledged to secure payment of a mortgage having a balance of $24,495.27 at December 31, 1967. Monthly payments of $677.24, which include amortization and interest at 6% per annum are due until maturity, April 1971.

Electronic data processing equipment purchased during 1967 by Standard Aircraft Leasing Corporation is pledged to secure payment of a chattel mortgage having a balance of $64,566.64 at December 31, 1967. Monthly amortization payments of $1,241.67 are due until maturity, April 1972. Interest rate is 6% on the unpaid balance.

2. CONTINGENCIES

The Corporation, under the terms of an agreement with its president, could be required to purchase from his estate no more than 50,000 shares of his stockholdings at a price which would be the higher of $4 per share or the fair market value at the date of death. The Corporation owns life insurance policies with an aggregate face value of $600,000 for this purpose.

3. LEASES

The Corporation is tenant at various locations under leases providing for annual rentals aggregating $71,700. These leases expire at various dates through 1977.

4. INCOME TAXES

The Internal Revenue Service has examined the Corporation's Federal income tax returns through the year 1966.

PX-7

STANDARD AIRCRAFT EQUIPMENT COMPANY, INC.

CONSOLIDATED BALANCE SHEET

ASSETS

	As of 9-30-68	As of 9-30-67
CURRENT:		
Cash on hand and in banks	$ 4,217.79	$ 125,418.60
U. S. Government Bonds	—	459,000.00
Accounts Receivable (Net)	1,142,229.83	841,575.41
Inventories (at the lower of cost or market price)	2,881,239.97	2,306,779.97
Prepaid expenses and other current assets	18,065.68	16,564.04
Total Current Assets	$4,045,753.27	$3,749,338.02
Mortgage Receivable	102,500.00	112,500.00
Investments	12,145.91	37,585.28
Fixed Assets (Net)	343,208.15	266,796.81
*Deferred Start-up Costs at K. C. location	78,907.00	—
Total Assets	$4,582,514.33	$4,166,220.11

LIABILITIES

CURRENT:		
Loans Payable (Current)	$ 307,047.00	$ 152,355.65
Accounts Payable	576,345.37	530,103.32
Accrued Expenses	100,528.49	91,967.33
Accrued and Withheld Taxes	11,867.31	101,499.13
Total Current Liabilities	$ 995,788.17	$ 875,925.43
LONG-TERM:		
Loans Payable (Less Current Portion)	896,975.81	939,870.63
Total Liabilities	$1,892,763.98	$1,815,796.06
Deferred income on sale of real estate	73,864.08	81,069.58

STOCKHOLDERS INVESTMENT

Capital stock—auth. 500,000 shares		
Par value 50¢ Issued 443,700 (1968)	$ 221,850.50	$ 211,286.50
Issued 422,572 (1967)		
SURPLUS:		
Capital in excess of par value	1,029,734.26	834,300.26
Retained earnings	1,364,301.51	1,223,767.71
Total Stockholders Investment	$2,615,886.27	$2,269,354.47
Total Liabilities and Stockholders Investment	$4,582,514.33	$4,166,220.11

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* Certain start-up expenses in connection with our Connector Division at Kansas City location have been capitalized and will be written off over an appropriate period of time.

PLAINTIFF'S
EXHIBIT 7
71-C-305
10-16-74

STANDARD AIRCRAFT EQUIPMENT COMPANY, INC.

PROFIT AND LOSS STATEMENT

For Nine Months

	As of 9-30-68	As of 9-30-67
Sales (Less Inter-Co.)	$6,824,873.30	$5,846,870.22
Cost of Sales	5,250,040.23	4,478,088.35
Gross Profit on Sales	$1,574,833.07	$1,368,781.87
Income from Commissions Earned	1,528.59	1,226.12
Adjusted Gross Profit	$1,576,361.66	$1,370,007.99
Operating Expenses (Net)	1,203,597.54	1,020,569.70
Operating Profit	$ 372,764.12	$ 349,438.29
Non-Recurring Income from Sales of Fixed Assets	5,404.00	5,404.50
Net Profit Before Federal Income Tax	$ 378,168.12	$ 354,842.79
Provisions for Federal Income Tax	135,483.60	153,010.28
Profit for Period	$ 242,684.52	$ 201,832.51

MEMORANDUM

PX-8 973

Date May 13, 1969

To THE FILES From P. B. McDowell

Subject: Standard Aircraft Equipment Company, Inc.
Annual Meeting and Board Meeting, May 9, 1969

I attended these meetings which were uneventful and obtained the following information about current activities at Standard Aircraft.

First quarter earnings were off substantially from last year's $83,000 after taxes to $45,700 on slightly increased sales. According to Bollo, this is caused mainly by non-recurring problems and he expects to catch up during the year. Some of these problems are a continuation of start-off expense of new branches opened last year, and particularly of the connector assembly activity in Kansas City. However, he also mentioned that his costs are increasing faster than his suppliers are permitting his selling prices and discounts to rise.

Paul Bollo, Secretary of the company, reminded me that our purchase agreement expires July 14 and raised the question of whether there would be any trouble in obtaining CAB and SEC approval by that date. I explained that Bob Lester, CAB attorney, told me on the 8th that he expected favorable CAB action any time. Also told him that the SEC had taken a position that it would not act until the CAB had ruled. JWA advises that there are no known reasons why SEC approval will not be forthcoming in a reasonable time. As soon as CAB approval is granted, we should maintain a close follow-up on SEC to make certain that we don't run into the July 14 date. The delay involved in approvals by both agencies, while normal to us, is a matter of great importance to Bollo. He states that it tends to interfere with or inhibit their arrangements with potential customers as noted later in this memo. He does not like having to be indefinite about his future ownership.

Specific comments about the newer branches were as follows:

San Francisco - This branch was opened last year and is progressing well. The major customer is United Airlines. Standard is currently in a favorable position to get a part of United's wheel and brake business. They will either get a piece of the existing business or more likely Pacific Air Motive will be frozen at the level of its current business with United and Standard would get United's 727 wheel and brake business estimated at $3 million per year starting early in 1970 with a few aircraft. Management of this branch is said to be good.

Miami - This branch is two years old and is doing $50,000-60,000 a month of business as compared with San Francisco which is running $40,000. The manager left, but has been replaced with a satisfactory person. Standard is trying to get Eastern's wheel and brake business and thinks that they have a good chance and that the volume may amount to $1-1/2 million a year. This business would be taken away from Air Work which was acquired by Purex and put under Pacific Air Motive which Purex had previously acquired. Air Work is losing a great many people -- some of whom are coming to Standard.

Kansas City - The assembly of Bendix connectors got a miserable start with a lot of turn-over in management and difficulties in meeting specs. As a result, it has only recently been able to sell commercially. It is still losing money. The goal is $5 million of annual sales and Bollo does not yet know what the break-even point would be. Bendix maintains four companies in assembly of connectors. They are Standard Aircraft, Air Work, Powell, Avnet (Compon took over from Avnet).

Pittsburgh - This branch has not done well, although it is now improving somewhat. They are looking for $50,000-60,000 per month--are not close to that as yet although sales have doubled. They expect a good deal of help from adding the Narco Line here. Standard got and then lost again Allegheny Airlines tire retread business, which was taken over by one of the tire companies on some kind of a special deal.

Standair - This is the instrument and components repair business which did $82,000 of business last month. This end of the business seems to be going well. They have recently gotten into repair of the Sperry autopilot, whereas they had been limited to Bendix in the past. Bendix had the 707's, while Sperry has the 727's and DC-8's. The breakthrough came with Seaboard-World. Standair is now in a position to solicit business of the supplementals operating DC-8's such as ONA, Capital, and AFA.

The first full sales meeting the company has ever held will take place on June 12. Their increased size has now led them into this kind of activity.

Bollo's plans are not to open any new branches for the present, but to strengthen and enlarge the volume at the present branches. Also to concentrate on a standardizing procedures, techniques, etc., between branches in order to improve profitability. He would like to add some proprietary lines on which Standard controls its selling price. Two items mentioned were pulleys, which might involve a very modest acquisition, and safety wire. In most of its items, Standard's sales price is set as the result of a suggested list price by the manufacturer which is rarely if ever deviated from. Because of inflation, the manufacturers are putting fewer and fewer items into the catalog. This increases the amount of special requests for prices which must be made in order to sell a job and pushes up Standard's expense.

Bollo reminded us that his main competitors are Van Duesen - $20 million sales, Southwest Air Motive - $20 million sales, Air Work - $30 million sales, Pacific Air Motive - $90 million sales. Both Air Work and Pacific Air Motive were acquired by Purex who put Air Work under PAC. Their combined sales of $120 million tends to dwarf Standard Aircraft at $10 million, as well as the other competitors. Some consideration might be given to an antitrust complaint either now or in the event that Purex makes further acquisitions in this field.

Jerry Bollo, who heads up sales, and two other Standard men have just completed a semi-annual visit to Europe. They report a substantial increase in available business from foreign airlines, partly as a result of an adjustment in their plans which is made in anticipation of taking on 747's. At least two maintenance consortiums have been formed in Europe in which maintenance for the 747's has been divided by specialty among the participating carriers. Swiss air, KLM, and SAS are in the KSS group. Lufthansa, Sabena, Air France, and Alitalia are in the Atlas group. In order to make room for the activity on the 747's, the foreign carriers are trying to farm out more of their maintenance work. This will result in an increased amount of 707 autopilots being sent to the US and to Standard for repair so that the European repair points can do the 747 work. Standard expects an increase in wheel and brake business for the 737's of Lufthansa and possibly other foreign carriers and that this may lead into business for wheels and brakes on the 747's. Jerry Bollo reported that the European airlines are very "nervous" about the 747 program. They are terribly conscious of what it will cost them to have the 747's at $25,000,000 each on the ground because of logistics and maintenance problems. They are taking extraordinary measures to insure that this will not happen. Whereas the foreign carriers formerly did a lot of purchasing through purchasing missions in New York, they are tending to pull back to Europe. This may mean that Standard will have to have sales representation in Europe and that it may have to either consign or set up distribution points in Europe.

Someone in the meeting estimated that when the 747's go into operation, the amount of Bendix and Whitaker equipment on these airplanes may result in annual sales volume of $250,000-300,000 per 747 for Standard Aircraft. Whether this applies to all 747's or only to those in certain areas was not made clear. The point is that Standard feels that it is in an excellent position on the 747 program.

We discussed whether with our potentially increased interest in Standard Aircraft that company can under CAB regulation solicit the repair and supply business of American Flyers. I agreed to check this out (subsequently, WGR advises that there is currently an annual dollar value of purchases of $100,000 beyond which American Flyers must report purchases to the CAB. This does not mean that they would be prohibited from buying more. It will depend on what the CAB does as a result of the reports).

Bollo foresees the need for additional working capital as a result of the potential new business listed below.

Narco Line	$2,500,000
United Wheel and Brake	3,000,000
Eastern Wheel and Brake	1,500,000
Increased AutoPilot Repair	250,000
Increased Business from Foreign Carriers	500,000
TOTAL	$7,750,000

This potential new business of $7 million compares with total sales of approximately $9 million in 1968. Bollo does not, of course, expect to get all of this business. These figures do indicate the likelihood of substantial growth. The Narco Line is already on hand.

The recent needs for additional working capital and the requirements under the then-existing bank loan were met by means of a 30 day loan from Pittsburgh Coke & Chemical which has been repaid and replaced with new borrowing from the Franklin National Bank of $1 million at, I believe, 7-1/2% interest on a month-to-month basis. As the money market eases, Bollo expects to replace some of this loan with additional long-term borrowing with the Home Life Insurance Company. The Home Life was not used in the recent case as it would have meant refinancing the current long-term debt which is at 6-3/4%.

Due to the nature of Standard's business, such items as interest, clerical processing of orders, long-distance telephone, etc., which we are accustomed to thinking of as being a relatively minor expenses of operating heavy fixed capital equipment, are the life blood of Standard's business. Careful management of the debt which supports Standard's inventories can be extremely important in the profit picture.

I remarked to Bollo on the fact that I had never met his financial man. This brought out the fact that the man is not much more than a competent bookkeeper. Bollo would like at some point to bring into the financial department a son who is currently with Price Waterhouse. This would make the fifth Bollo on the payroll if we include Paul Bollo, the secretary who is an attorney. There was a sixth Bollo listed as Treasurer and a director whom I believe is Lou Bollo's wife. With the change in ownership, we should at some time discuss with Lou whether it would be fair to his sons to encourage even greater participation and a reliance on Standard Aircraft as a source of employment. Whether they have ability or not, it is not likely that a large number of Bollos can survive after Lou is out of the picture and particularly if any subsequent sale or merger results.

Putnam B. McDowell

Px-9

PBM

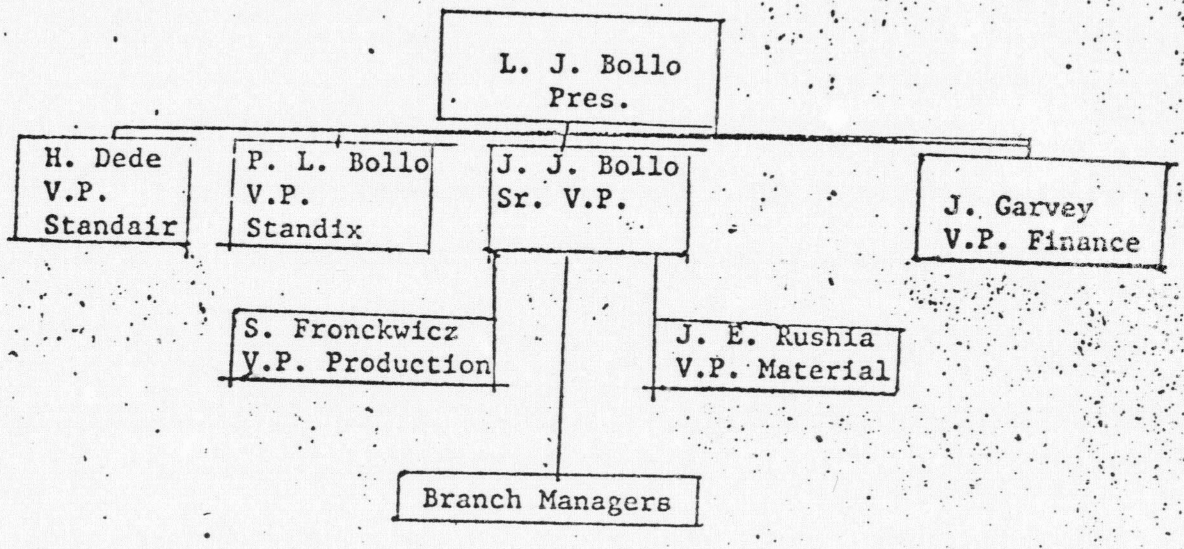
Attached is a write-up on the operations at Standard Aircraft, focusing principally upon inventory control, the organization and the impact of increased General Aviation business. Per JES's and GEM's requests, I have sent them copies.

RLB

STANDARD AIRCRAFT EQUIPMENT COMPANY

The Organization

Standard hasn't a formal, printed organization chart. Lou Bollo, however, drew up a long hand chart of the top staff which essentially looks like the one below.


L. J. Bollo
Pres.
H. Dede
V.P.
Standair
P. L. Bollo
V.P.
Standix
J. J. Bollo
Sr. V.P.
J. Garvey
V.P. Finance
S. Fronckwicz
V.P. Production
J. E. Rushia
V.P. Material
Branch Managers

The branch managers report to Jerry Bollo on all matters except capital appropriations. When Lou Bollo was asked "Do you control the purse strings" his reply was "very much so, I always have." L. Bollo also said that because he and Jerry traveled, he often assumed Jerry's responsibilities in his absence.

The general management practices are characterized by Paternalism with most of the top staff, L. Bollo, J. Bollo, Fronckwicz, Rushia, Dede and Garvey having been with company 15 to 20 years and having worked up through the ranks to their present position.

Sales

Sales are through 9 branches and 2 divisions. Annualizing the 1st. 5 months of sales the relative sales volumes of these outlets are:

Standair Div.		$ 900,000
Standix Div.		508,000
Garden City	4,840,000	
San Francisco	532,000	
Atlanta	514,000	
Kansas City	247,000	
Miami	740,000	
Detroit	525,000	
Washington, D.C.	448,000	
Los Angeles	264,000	
Pittsburgh	144,000	
		$8,254,000
Total Annualized 5 mths. 1969		$9,662,000

Roughly 55% of the $ are Airline and Government sales with 45% of $ sales to general aviation. The company's intention is to increase sales to general aviation - the economic impacts of this will be discussed later. The selling prices and margins are rigid on sales to Airlines and the Government, but general aviation sales prices are far more flexible with Standard allowed to determine the discount given.

Sales of new parts are made through 9 branches, including Garden City, and 5 company salesmen. Standix is essentially a buyer and seller of used aircraft parts while Standair reconditions used parts for various customers including Standix.

Inventory Policies and Control

Inventory policies and controls are designed and established through the collaborative efforts of Messrs. Fronckwicz, Rushia, J. Bollo and L. Bollo. The final decisions and important decisions are really made by J. Bollo and L. Bollo in concert.

The current goal is to have each branch's $ inventory "turn" 4 times a year - L. and J. Bollo's decision. Actually this is difficult to attain in management's opinion with 3 to 3-1/2 turns a year being a "good performance." A further restraint on the branch manager is that he is only allowed to purchase for inventory 75% of his previous month's sales, with 25% being considered the average margin. Theoretically this should hold inventory-to-sales levels relatively constant. In fact, however, inventories still increase due to sales returns being kept and manager's predilections toward being on the "high side" of 75%.

L. Bollo and J. Bollo set the $ limit of inventory for each branch with regard to the above policies. Each branch manager is allowed to determine the mix of parts composing his inventory - no guidance as to inventory mix is provided, just the $ limit is applied and reviewed.

Standard's inventory "write-off policy" requires that if an inventory item has no sales or inquiries within 2 years the inventory is written off to zero. The item stays at zero value with Standard for another 2 years after being written off. At the expiration of the 2 year period if no sales occur, it is donated to Standix for resale. Current accounting practice is to reserve $4,000 a month or $48,000 a year for inventory write-offs. This is roughly 1.4% of year end 1968 $ inventories.

The branches take a physical inventory at the end of each fiscal year. However, the physical inventory at Garden City is accomplished annually by the auditors on a statistical random sample basis because of the large number of types and volumes of items. Each month the branches furnish Garden City Headquarters with a $ breakdown of inventory by "gross inventory code."

Only petty cash receipts and disbursements occur at the branches other than Garden City. All funds involving branch inventory purchases and sales are handled by Garden City's headquarter's accounting department.

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The inventory control procedures differ as between purchases and sales of General Aviation parts versus Government and Airline parts. The Airline and Government parts inventory control procedure is partially computerized on NCR equipment. Each purchase order is punched into IBM cards. The NCR limited core equipment updates at the end of each day the ledger cards which are hand filed, selected, collated, and after updating returned for filing. Later punch cards run on the NCR machine produces separately the "Acknowledgment", "Packing List", and "Invoice" for each order.

The General Aviation orders are processed through a completely manual system that involves filling out an order if phoned in, updating the ledger card and producing a packing list and invoice. An "Acknowledgement" for General Aviation orders is not used because the cost of producing it is believed to be greater than the value of its use by the customer.

At Garden City the inventory "min-max" levels and re-order quantities for each part type are set by J. Rushia. To determine these quantities Rushia reviews the history of each item on the ledger card, factors in his forecast of future use (after conversations with J. Bollo) and determines the "best re-order quantity" based on purchase prices. No formal formulas are used in setting "min-max" or re-order quantities. When the amount on hand falls below the "Review Point" (min.) J. Rushia personally reviews each sale and makes the decision as to when and how many additional parts should be ordered. There are approximately 60,000 different types of parts stocked at Garden City. I have copies of all the documents used in the airline and General Aviation inventory control systems.

Warehousing and Stock Picking

In the company of S. Fronckwicz I picked a complete parts order to better understand the system. The warehousing layout is undergoing a major change as a result of taking on more General Aviation parts (Narco) and the hiring of a new manager of warehousing and distribution. The current changes in management and product line have made "picking" more difficult and less efficient, but it is anticipated that this will improve.

Impact on Standard of Increased General Aviation Business

The decision to actively seek more General Aviation business was made because:

- the Narco line was available as a result of Purex's acquisition of Airwork.

- there is more price flexibility and thus, larger gross margins in General Aviation.

- General Aviation usually does not stretch out part's working lives and so replacement is more rapid.

To my knowledge no study or report exists withing Standard that demonstrates, quantitatively the financial impacts of increasing the company's sales to General Aviation. In my discussions at Standard I asked each man I talked with how such an increase would affect his operation. Listed below is a summary of the possible financial impacts which will accrue to Standard. The factors cited should be "moneyed out" or at the very least "tracked" to determine the profitability of an increase in General Aviation business.

Costs and/or Investments

- Receivables should lengthen considerably since the informal extension of credit through receivables to small General Aviation shops has long been the practice. General Aviation receivables will be a minimum of 90 and possibly up to 180 days of sales versus 60-1/2 days of receivables for the company at May 31, 1969.

- Inventory $'s for Standard should increase because:

    - General Aviation parts are of different types and/or are from different manufacturers and thus more types of parts must be stocked.

    - On parts common between General Aviation and Airlines the inventory "mins" may have to be raised because of the increased volume.

- The cost of filing orders could increase because "pickers" will be "searching and finding smaller $ quantities." (Picking is done by order and not by part type)

- Direct selling expense per sales $ should increase as the $'s per order taken are smaller in General Aviation.

- Telephone expense per $ of order received is higher in General Aviation sales because $ per order are smaller.

- Order processing and inventory control expense will increase under the present manual system for it will take more people to process a higher volume of sales orders with lower sales $'s per order.

- Bad debt expense should increase as the General Aviation customer is a far higher risk than the airlines. In the past Standard had a bad debt reserve of 1/8 of 1% of the receivables but this proved "far too high" in the auditor's view and now they merely record actuals.

- It is probable that at least as many "hitches" or "fails" will develop in servicing the increased General Aviation orders. It will take the same amount of management time to solve the "problems" and so as many management $ will be spent solving problems on orders for smaller $'s of parts.

Gains

- Higher gross margins through more price flexibility.

- General Aviation does little "part life stretching" so replacement business will come earlier.

- The gross margin contribution will increase per dollar of fixed expense.

- According to L. Bollo and J. Garvey the P&L revenues, costs and expenses associated with General Aviation can be easily segregated and identified within the current accounting system. Also the balance sheet "investments" and costs for servicing General Aviation can be easily segregated and tracked. Thus this market's profitability can be tracked. There are no plans to make such segregation and examination.

MEMORANDUM

PX-10

983

PLF

TO:

24

C.C:

DATE: September 27, 1968

10/8/73

COMPANY: Standard Aircraft Equipment Company, Inc.

SUBJECT: Meeting with Mr. Louis Bollo, President, and Mr. Orin Leach, Director, on September 25, 1968

Sales for the eight months ended August 31 were $6,030,000, versus $4,900,000 in the same period last year. The increase of roundly 22% is attributable primarily to the continued growth of the aircraft parts business and secondarily to the opening of San Francisco and Kansas City sales offices. For the year, volume is estimated to reach at least $9,500,000, and profits after tax are expected to approximate $325,000, versus $300,000 last year. The decline in margin is ascribed to start-up expenses associated with the opening of new stores and, importantly, from establishing the connector assembly facility at Kansas City, Missouri. It is estimated that profits before these expenses would approximate $375,000.

Sales continue to grow at every location. The Garden City headquarters is billing about $400,000 a year to foreign customers, plus $750,000 a year to foreign flag carriers at New York City. Some representative annualized volume at the distribution locations includes: Miami, $750,000; San Francisco, $650,000; Los Angeles, $500,000; Kansas City, $250,000. Lou is particularly pleased with the orders received at the new locations. Eastern and National have been switching business to Standard at Miami from Airwork. San Francisco has developed important volume from United Airlines which previously went to Airmotive. In fact, California sales are up 60% over last year. Kansas City was helped by hiring the star salesman from Van Dusen, who has brought Northwest business in size, including a $100,000 one-year program for instruments made by Eclipse-Pioneer. Examples of volume by airline include: Pan American, $750,000; TWA, $500,000; Eastern, $500,000.

The future looks most encouraging to Lou. The immediate prospect among the airline customers is the 747, which is loaded with Bendix equipment. Standard has traditionally had a strong position with Bendix. Included among the parts are wheels and brakes, all the electrical system, the autopilots and 50% of the instrumentation. Lou is confident that he willobtain much of the original ordering for airline provisions, and he has already received assurance from Pan American that they will handle all brakes and wheels through him. Standard has been assigned as the fourth distributor for general aviation radios manufactured by Bendix. Bendix has informed him that he should expect a minimum of $1 million sales in the first year. No announcement has been made yet concerning parts for the Lockheed and Douglas air busses, but this is forthcoming in the next year. Whittaker Corporation continues to be the largest supplier, and volume continues to rise dramatically and now approaches $1.8 million annually. These controls will appear on the big airplanes in quantities just as they are on the first generation jets. Standard remains exclusive distributor, and Lou sees no change in this situation.

As a matter of fact, Lou sees financing as the only way he will lose markets in the foreseeable future. He estimates volume in 1972 will approach $20 million. He believes margins will be maintained, and presently he experiences very little price cutting. Overhead is not expected to rise proportionately to sales and hence he feels some improvement in margin is a possibility. One way to improve margin performance is to begin a program of private label for items under $50. These include bolts, washers and fuel strainers, among many others. He and I calculated that the volume growth expected to 1972 will require an additional $3 million in inventory and $1 million in receivables. Lou is most concerned that as an independent company he could raise only a portion of this requirement via borrowings. He is most reluctant to dilute present interests via an equity subscription.

Premier Industries of Cleveland retained White, Weld to study the aviation market for possible acquisitions. Standard Aircraft was chosen, and Premier has held discussions with Bollo concerning a take-over. These culminated in a formal offer to him, which consists of 4-1/2% convertible preferred for all of his stock at an equivalent value of $12.50 a share in Standard. Premier would offer the other shareholders, including First Grant Corporation, a choice of cash or the convertible preferred (the latter is desired) at an equivalent price of $15 a share. Lou believes he could get along with the Mandels, who operate Premier, but he is disturbed by their recent announcement of acquisition of Illinois Electronics, which has had some difficulty and which is nearly the size of Premier. He opines that if management efforts and money were required to solve any difficulties with this major acquisition, his operation might not obtain sufficient help. Therefore, he is anxious to inquire if we would be interested in buying Standard and supplying the necessary aid.

In further discussions, it was concluded that Lou would look with favor upon a tender offer by Pittsburgh Coke & Chemical for 80% of the outstanding shares of Standard, at a price to be agreed upon between HLH and Lou. Presumably, under such an arrangement, he would continue to hold a 15% interest based upon some public shares not tendered. He would stand ready to supply sufficient stock for us to meet the 80% requirement. The table below is an example of the ownership and cost breakdown.

Lou will be in Pittsburgh on Wednesday, October 2, and available to discuss this subject. He would appreciate our thoughts at that time because he feels an obligation is owed Premier one way or the other.

Owner	Present Outstanding	Pro Forma Outstanding	PC&C Cost @ 14
First Grant	112 (000)	-	$ 1.56 mil.
Louis Bollo	246	50 (000)	2.75
Subtotal	358	50	$ 4.31
Bear, Stearns	30	-	0.42
Others	56	35	0.29
Total	444	85	$ 5.02 mil.
PC&C		359	(81%)

R. M. Johnston

	Gross Sales of Whittaker Parts	% of Total Sales of Standard
1965	$1,065,000	18.1%
1966	1,139,000	17.3
1967	1,671,000	21.5
1968	1,455,000	16.0

PLAINTIFF'S EXHIBIT 11
71-C-305
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PENGAD-Bayonne, N.J.

986

PX-12

WHITTAKER CORPORATION

TO: D. T. Kimball DATE: 1/6/67

FROM: G. C. Danks

SUBJECT: DRM - Month of December, 1966 (Aircraft Components Division)

Following is the monthly report for ACD:

Section 1 - Write-Ins and Shipments

Monthly Shipments (to customers)	$42,260.00
Monthly Shipments (interdivision)	22,051.00
Total Shipments	64,311.00
Monthly Write-Ins	73,437.00
Backlog as of January 1, 1967	190,333.00

The write-ins for the month of December were especially good and increased the backlog for the Division by 31K. With this backlog, we should be assured of shipments to the budget and targets for the first two quarters. The targeted shipments for the first two months of the fiscal year were $36K for November and $46K for December, for an aggregate of $82K. The actual shipments for these two months have been $82.2K, which is 100% of our target. Interdivision shipments for this same period were scheduled at $4K per month and are significantly ahead of the targeted figure of $8K. Anticipated shipments for the month of January are $50K to the customers and approximately $3K interdivision. This will aggregate shipments for the quarter of $130K against the targeted figure of $128K.

It is anticipated that profits with the writeup created by the interdivision shipments will be in excess of $30K.

Section II - Future Plans

You indicated in your memo of December 15, 1966 to me that the Aircraft Components Division was set up as a profit center and that you did not see any reason why I should not work up ACD volume by competing with the Standard operation. I assume that this would imply that at a point in time which we have discussed, the Standard agreement would be officially cancelled. On this basis, I had made plans to take a swing through the east the third week of this month with Jack Kelty for the primary purpose of making an initial contact with the purchasing people at TWA, American, National, Eastern, Delta, Southern and Pan Am in New York City. This is about the maximum number that can be covered within a week, leaving on a Sunday and returning the following Saturday. Due to the fact that Jack has to spend next week at Boeing, Michoud on the 10" valve and will be gone all week, I will now put this trip off until the first week of February. Delaying the trip will also give more assurance for getting the targeted quota for this quarter. In the initial contacts, there will be no intent to indicate that the Standard agreement will be cancelled, but only a meeting with the purchasing people involved to advise that we have set up to more expeditiously handle their orders from the plant than we have ever been able to do in the past. The few orders that have been placed with us by the primes, have been delivered far more rapidly than they were prior to the set up of this operation, but certainly not as rapidly as Standard can deliver, with an inventory. If and when the Standard agreement is officially cancelled, we will have to establish inventory levels on certain items whether the material physically stays at the Technical Products Division to back up production or is physically segregated into ACD location.

As you are aware, I also had discussions during this month with Hugh Cronin on the probability of having the Artificial Horizon and Directional Gyro Instruments of Boeing complete handling. It would appear to me, based on my limited knowledge of this item, that the future potential is in the commercial area and it also appears that if all parts were procured outside and sub-assemblies farmed out to such places as sheltered workshops, that it would be possible to complete final assembly of at least the next two years potential sales with a very limited number of final assembly and test people who could be located within the current ACD facilities. Obviously, if we were fortunate enough to hit a prime application on a commercial aircraft at Cessna, Beach, etc. it may be necessary to have larger facilities at a point in time. I also reviewed the Sectair literature which you supplied and recognizing that auto-pilots are extremely more intricate and involved instruments than the two we are working on, I do not feel that we should entertain this acquisition due to their low dollar volume and the fact that we will have sufficient difficulty in marketing our own product and getting it established in the commercial field before we undertake an even more difficult instrument. Hugh has agreed to furnish me within the next week to 10 days his data and a complete survey of the potential commercial applications for the Artificial Horizon and Directional Gyro's, at which time we will further discuss the possibility of moving these products to ACD. At the first pass, it would appear that this is the only item currently in our stable which offers potential advantages for both the growth of the Division and would provide the atmosphere for economical manufacture.

SECTION III - Miscellaneous

One of the accrued advantages of ACD has been the issuance of invoices directly from the Division concurrent with the shipment of the merchandise. I have worked very closely with Frank Vaughn in clearing credit, etc. and on the last report furnished by Frank, the total accounts receivable for the Division were significantly less than last months shipments. Of the aggregate total of less than $46K receivable for the Division, less than $10K was outside the Net 30 day terms. Frank indicated that this is the best position these accounts have been in within his recollection.

Glen C. Danks
Manager

990

PLF 38
3/3/72

PX-13

July 8, 1967 rough

To: D. T. Kimball

From: G. C. Danks

Subject: Proposal for Cancellation of the Standard Aircraft Distributorship Agreement and Absorption of this Business into Aircraft Components Division.

The purpose of this report is to present a concise and logical plan which will result in the ultimate cancellation of the Standard Aircraft Equipment Distributorship Agreement and the absorption of this business into THE Aircraft Components Division. The basic reason for this proposal, obviously, is to increase the profits to the Whittaker Corporation which will ~~result from the cancellation of this agreement~~ ACCRUE AS A RESULT. Concurrent with, and contingent upon the acceptance of this proposal, a subsequent proposal will ~~also~~ be submitted requesting that the overhaul of both "customer expense" and "warranty" reworks be handled by ACD.

SECTION I. Background - In April of 1965 the Aircraft Components Division was established. A "pro-forma" for this Division was to operate as a "profit center" Division. Following is a summary of the actual shipments from the Aircraft Components Division during the period of July 1, 1966 through June 30, 1967 which aggregate $650,680.00. It ~~must~~ SHOULD be borne in mind that the first order accepted by this Division was as of May 15, 1966 and, therefore, the early months shipments, i. e. July, August and September, were ~~very~~ minimal due to the ~~necessity of building~~ REQUIREMENT OF BUILDING a modest backlog. Shipments for the fiscal year of 1967 ~~should~~ will aggregate in excess of $800,000.00, OR ~~[illegible]~~ approximately ~~[illegible]~~ 15% above ~~those~~ THAT anticipated initially. Following is a recap of the month by month shipments from ACD plus a recap of the monthly input TO TPD from Standard Aircraft during ~~this~~ THE same period of time.

MAKE THIS 3 COLUMN SPREAD

AIRCRAFT COMPONENTS DIVISION SHIPMENTS - JULY 1966 TO JUNE 1967

MONTH	ACD SHIPMENTS	[illegible]	TOTAL
July, 1966	$48,000.00		
August	33,670.00		
September	32,000.00		
October	68,000.00		
November	40,670.00		
December	42,251.00		
January, 1967	51,589.00		
GRAND TOTALS			

February	$53,180.00	
March	61,685.00	
April	79,101.00	
May	70,414.00	
June	70,110.00	TOTAL: $650,680.00

MONTHLY WRITE-IN FROM STANDARD AIRCRAFT EQUIPMENT - JULY 1966 TO JUNE 1967

July, 1966	$92,713	
August	91,059	
September	88,356	
October	79,551	
November	39,711	
December	85,039	
January, 1967	80,380	
February	153,659	
March	142,915	
April	94,422	
May	76,966	
June	136,663	
		TOTAL: $1,161,434
		GRAND TOTAL: $1,812,114

In analizing the above, the aggregate shipments from Aircraft Components Division, plus the input from Standard equals a total of $1,812,114.00. The constant figure I have heard from Standard as their inventory level is approximately $450,000 to $500,000. It is a logical assumption, ~~thus~~ that ~~as~~ Standard procured $1,161,434.00 from TPD at the discounted given level, ~~thus~~ they obviously, during this same period of time, must have sold this material at a level approximately 16% above their cost, which would aggregate $1,347,264.00, ~~giving~~ allowing them a potential gross profit of $186,000.00 on the material ~~passing through~~ purchased from Whittaker during the past year. This sales figure, when added to the ACD figure, would indicated that once the Standard Agreement is cancelled, we could anticipate a level of shipments through ACD of approximately $2 Million per year plus.

Although ACD was initially established as a "profit center" and not necessarily a

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growth entity, it is apparent at this point in time that the ANTICIPATED profit factor on a minimum amount of business ~~can~~ HAS BEEN ACHIEVED ~~[illegible] obtained~~. ~~However,~~ THE OVERALL ~~this~~ profit ~~factor~~ can be significantly increased with the cancellation of the distributorship agreement and the absorption of this business by ACD. This will be further amplified in a subsequent section of this report.

Section II - Considerations in the Cancellation of the Standard Agreement.

As you are aware, the Whittaker Corporation per se, prior to the establishment of the disbributorship agreement with Standard Aircraft hada QUESTIONABLE ~~rotten~~ reputation with the airlines. This reputation was due to the fact that Whittaker historically did not consider commercial aircraft business of SIGNIFICANT ~~prime~~ importance. This reputation was further augmented by the implementation of the original cycle order program wherein the commercial operators were required to anticipate their useage at least 4 to 5 months in advance of actual requirements in order to procure spare end assemblies and detail parts, ~~under this program~~. I had a great deal to do with the initial implementation of this policy and must admit in retrospect that while it was INFAMOUS ~~derogatory~~ from the standpoint of our relations with the airlines, it was highly profitable in its yield. Whittaker, as a ~~basic~~ supplier to the airlines is relatively insignificant due to the COMPARATIVE low dollar volume dictated by the nature of our equipment. I can HOWEVER RECALL ~~remember~~ several ~~sad~~ meetings with ATA personnel in the 1959's and 1960's, ~~however,~~ wherein Whittaker was villified for THE ~~their~~ program and FOR OVERHAUL OF SUPPORT overall support of the commercial operators. This reputation HAS BEEN ~~is~~ difficult to live down, BUT CERTAINLY ~~particularily since~~ OUR PERFORMANCE AT PRESENT IN ALL AREAS IS ~~during the interim we have not given any specific attention to overhaul units which has not~~ SUBSTANTIALLY IMPROVED ~~enhanced our reputation as a proper~~ supporting manufacturer.

At the inception of ~~the formation~~ of ACD it was determined that no inventory would be maintained within the Division and that parts procured through ACD, rather than through Standard, would be obtained ~~directly from the~~ AT AVAILABLE stock ~~room~~ at TPD. For the most part, this has been a satisfactory arrangement and I am POSITIVE ~~certain~~ that those orders placed with ACD have had far more attention than these same orders COULD ~~would~~ have received if placed directly with TPD. This has been the direct result of ~~this~~ more rapid handling of purchase orders, quotations and personal expediting to see that the material is shipped in a timely manner.

OK Over the past year I have made two trips outside the plant and have contacted most of the major airlines, including American, TWA, National, Eastern, Delta, Pan Am, United, Canadian Pacific, etc. With a policy of "neither fish nor fowl" it has been very difficult to represent the Aircraft Components Division as being able to supply the service provided by our distributor. However, the major airlines in the country, i. e. United, TWA and Pan Am ~~have~~ expressed a definite desire to do business directly with the plant providing the plant is able to provide the service they require.

In ~~my~~ contacts with the various airlines, I would like to point out that The Standard Aircraft Equipment ~~man~~ Company is considered by most airlines to be one of the better distributors in the United States. Along with this, however, it should be [illegible] ~~emphasized~~ that they do not really care from whom they procure parts as long as parts are reasonably available to meet their requirements, ~~and in~~ In the case of the major three airlines at least, they would actually prefer to do business directly with the plant, ~~throughout~~ ~~operations within~~ ACD. Obviously, there are some areas wherein personal contact with an ex-employee, (i. e. such as the case of Delta) where they ~~normally~~ prefer the distributorship agreement. Also ~~However~~, Standard has a historical ~~had a~~ policy of discounting their invoices 1% for 10 day payment, ~~and~~ I feel that ~~should~~ when the agreement is cancelled, it ~~we~~ would advisable ~~probably~~ be ~~wise to~~ extend the same terms ~~even~~ though it is contrary to Whittaker's historical policy. Many of the major airlines ~~which~~ procure from $50,000 to $150,000 id ~~of~~ parts per year, look upon this 1% as a definite cost savings, ~~and inasmuch as they have historically been accustomed to this in dealing with Standard, it would almost be mandatory as a policy and as a selling arrangement for the cancellation of the agreement.~~

Although Whittaker's reputation on CRO's and overhauls still leaves something to be desired, the decision made several weeks ago to transfer the handling ~~[illegible]~~ on this particular segment ~~aspect~~ of business out of the Contracts Section into the Field Service Section has had very desireable results. The turn around time on customer rework orders has been significantly reduced as a result of the proper ~~constant~~ attention given by Jack Kelty [illegible] ~~and [illegible] that~~ ~~our current image in this particular area has been significantly improved.~~ ~~[illegible]~~ When the Standard agreement is discontinued, there are definite advantages that could be gained through the absorption of the "tear down and overhaul" of customer rework units at ACD facility. It was stated above that a ~~my~~ proposal for the addition of this work would ~~was~~ contingent upon the acceptance of this proposal as the required stocking to support that ~~this~~ program ~~proposal~~ would be a mandatory [illegible] ~~requirement~~ for ~~the~~ overhaul and repair, of ~~[illegible]~~ returned

EXPENSE

SECTION III - Added Personnel. ACD has been operating for the past several months with only 2 people. It i anticipated that when the Standard Agreement is cancelled, there will be an immediate requirement for the addition of a minimum of 3 and possibly 4 people. These personnel and their anticipated salaries are as follows:

	Category	Anticipated Salary
1.	Top notch customer sevice - customer oriented man	$14,400.00/year
2.	Stockman to handle stcking of parts and packaging and shipment of parts.	$ 6,000.00/year
3.	Clerical girl for typing, filing, etc.	$ 4,800.00/year
4.	A secondary ~~XXXXXXXXXXXX~~ customer coordinator with ability to contact customers and to Assist w/ ~~[illegible]~~ service problems.	$ 9,600.00/year

In addition to the above additive direct expense in the way of salaries, it is also anticipated that $15,000 per year would be REQUIRED FOR ~~spent in~~ airline fares and travel expense to insure adequate contact with the commercial operators and to initially unsell the distributorship arrangement. During the first year this expense could possibly run as high as $25K to supply ADEQUATE CONTACT WITH ~~[illegible] (SPT)~~ the operators AIR ~~with the~~ PROMOTE THE fact that we are really serious in supporting their requirements. The $34,800 in direct salaries plus $15 to $25 thousand for travel expense would aggregate approximately $60K. On top of this, there would be the added expense of carrying an inventory which will be expanded further in this report, THIS EXPENSE ~~[illegible]~~ would could approximate $15,000 per year. It is, therefore, anticipated that the total INCURRED expense ~~allowing for the inundation (SPT)~~ during the first years period of time could amount to as much as $75,000.00. However, if the assumption made above is correct that Standard has realized a LOSSES profit of $186,000.00 it is still apparent that as much as $100,000.00 plus in profit would accrue to the Corporation as a result of this change.

Section IV - Airline Growth. Attached as Appendix A to this report is a summary of data extrapolated from the July issue of Fortune Magazine which lists the 50 largest transportation companies in the United States. It will be noted in ~~analyzing~~ reviewing this data that 11 major airlines in the U. S. are in now the top 50 transportation companies. Of these 11, 4 are in the top 10, 3 are in the top 20, 1 is in the top 30 and 3 are in the top 40. The commitments of the major airlines in the U. S. for the purchase of new jet aircraft for both passenger and air freight proposed ~~[illegible]~~ are today at their highest level, ~~and it is apparent that~~ The growth of air transportation, both passenger and freight, will be at an abnormally high growth rate during the next 5 years. A report in Air Transport World as of October, 1966, indicated th~~at the increase~~ in passenger service during the 5 year period from 1960 to 1965 increased 70%. Similarly air freight during the same period ~~[illegible]~~ increased 165%. If there is ~~one~~ a single area in our economy wherein growth is almost a locked in feature, it would ~~have to be considered in~~ is the area of commercial aviation. Projections would indicated that the rate of growth during the 1966-1970 era will be even greater than that during the preceeding 5 year perios. Significant also in analyzing the attached Appendix A is the fact that the average ~~[illegible]~~ return of invested capital of transportation companies in the top 50 was 8% during 1966 ~~which was~~ up from 6% during 1965. Among the top 11 airlines ~~however~~ the average return on invested capitol was 19.9%. This figure is particularily significant when it is recognized that 5 of the major airlines ~~[illegible]~~ were involved in a 43 day strike during the specific period reported and probably would have ~~shown~~ had earnings at least 10% higher ~~as an average across the board~~ were it not for this ~~incident~~ [illegible].

It is my opinion that the ACD operation with the cancellation of the Standard Aircraft agreement will do at least $2 million during the first full year of operation ~~and~~. Based on normal growth patterns throughout the industry ~~should increase~~ this volume will increase by a minimum of 15% to 20% per year during the period from 1967 through 1970, ~~with~~ an ultimate objective ~~of~~ will be a division doing 3½ to 4 million dollars per year and with a maximum number of employees no greater than ~~15~~ 17. The difference between the 6 total proposed with the cancellation of the agreement and the ~~15~~ 11 is based on a subsequent proposal for the incorporation of the overhaul work which could add some 2 to 4 employees with an anticipated dollar volume of $250,000 to $400,000 per year, ~~over the [illegible] years~~. The incorporation of the overhaul work ~~is~~ will be adviseable due to the fact that many small airlines are now procuring 727, 737 and DC9 aircraft. These are the airlines who would welcome rapid factory service and who if they do not receive rapid factory service will farm their work out to FAA authorized overhaul shops such as Pacific Airmotive, Dallas Airmotive, Captive Air, Maintain-Aire, etc.

Section V - Potential Growth of World Jet and Turbo Prop Aircraft.

Attached as Appendix B is an inventory listing in two sections ~~of~~ CONSISTING OF

1. World Jet and Turbo Prop aircraft utilizing Whittaker equipment and
2. World Piston aircraft utilizing Whittaker equipment.

It will be noted in ~~analizing these figures~~ THE REVIEW OF THE DATA that as of April 1 of this year there were actually 869 Boeing aircraft in operation. These ~~were essentially~~ ARE all Model 707 and 727 AIRCRAFT, as the 737 aircraft is still in ~~the~~ PROCESS OF FAA certification status and the first 747 will not be in operation for approximately 1½ years. Excluding the SST's on order, there are ~~almost~~ APPROXIMATELY 75% of the total number of aircraft on order of the Boeing configurations as there are ~~flying~~ NOW IN OPERATION. ~~Almost~~ These aircraft are SCHEDULED for delivery ~~within~~ OVER the ~~next~~ ENSUING 5 years, and On basis of equipment ordered alone there ~~is an apparent~~ WILL BE A 75% increase in the ~~tax~~ utilization of Boeing planes. In the case of McDonnell-Douglas there are 340 jets in operation with a backlog of DC8's and 9's of 490 units representing an approximate 140% increase in ... utilization of these aircraft over the next 5 year period. ~~Consequently~~ With these major CAPITAL ~~[illegible]~~ commitments by the commercial operators for the purchase of new jet equipment, it is ~~apparent that this is~~ a growth area. As long as the growth is ~~so~~ apparent and the ~~[illegible]~~ Whittaker equipment is ESSENTIALLY locked in ~~on~~ FOR these applications, there is no reason ~~to~~ not TO believe that a 20% growth per year IN WHITTAKER EQUIPMENT is a conservative figure.

It will be noted from the RECAP piston aircraft in ~~this~~ THAT Appendix that there are well in excess of 1500 piston aircraft still flying which utilize Whittaker equipment, ~~However,~~ IT must be borne in mind that the older piston aircraft ~~essentially~~ were fitted with fuel and hydraulic valves rather than units operating in the extreme environment of the jet engine. For this reason it is considered that the spares support for these aircraft ~~indicate~~ PRESENTS A continual ~~dwindling~~ DECLINING market. This is the area wherein concerns such as Execuair, Houston Aircraft, Donellec American Aero Parts and a myriad of other suppliers have been ~~realizing~~ RECEIVING business on Whittaker components. The reason these companies have been able to supply Whittaker material lies in the fact that each of these commercial aircraft had a superceding military counterpart and the government, during the late 50's acquired exhorbitant (sp) quantities of material in support of ~~these~~ military units which were subsequently released to the surplus market. During 1959 the Whittaker Valve Division sold approximately $8 million worth of spare and assembly detailed parts and kits to the government which were released as surplus with the advent of the McNamara administration ECONOMY MINDED ~~[illegible] 1955~~. Our CURRENT ~~subsequent~~ engagement in the Viet Nam Activity ~~which~~ has resulted in the reactivation of SEVERAL OF THE MILITARY ~~practically every~~ aircraft ~~available has proven that this policy, although sound at the point of implementation, has worked to the detriment of the tax payers. C47 Aircraft (the DC-3) have been and are currently being reactivated for use in our war effort.~~ How important it is for Whittaker to try to reattain business in THE PISTON ~~this~~ market is questionable. Obviously, the time MAY ~~will~~ come when the military surplus has been depleted ~~[illegible]~~ and there is no question THAT ~~[illegible]~~ OF THE ~~the older~~ piston type aircraft will be flying beyond the period when [illegible] parts are available. A well planned program for quantity production of certain assemblies might be advisable. There are some units, however, which are firmly established in the bootleg market wherein Whittaker components are being manufactured and accepted by the industry. Inasmuch as most of these aircraft are today in the hands of foreign operators, FAA regulations do not DEFINE ~~control~~ purchase of these parts from wherever they may be available.

SECTION VI - Proposed Inventory: Once the Standard Aircraft agreement is cancelled or notices served that it will be cancelled certain airlines will probably immediately start procurement directly from ACD. Previous data submitted in this report indicated that Standard has been procuring approximately $100K per month at the discounted level. WHEN ~~Once~~ the decision is made to terminate this distributorship, they will ~~then~~ have a 6 month period of time to dispose of their inventory. For this reason, PRIOR TO ~~concurrent with~~ our notice of cancellation we will have to have available stock to provide off the shelf delivery for those orders which will commence at that time.

Attached to this report as Appendix C is a suggested inventory listing of the parts which should be put on order concurrent with our decision to cancel the agreement to allow 3 to 4 months lead time so that the material will be available AS REQUIRED. In determining the parts to be inventoried, 3 basic sets of data have been evaluated. These are as follows:

1. A complete recap of both parts delivered to Standard during CY 1966 plus parts sold by ACD as is ~~as~~ set forth in Column 1 of the attached report.

2. ~~[illegible]~~ Useage data from Pan Am, TWA and United for ~~[illegible]~~ Whittaker WAS UTILIZED APPENDIX components ~~they need~~. This data is summarized in Column 2 of the ~~report~~ and represents MAJOR the combined actual useage by these 3 carriers for the 6 month period October 66 through March 67.

3. Column 3 represents a recap of purchases ~~from~~ BY Std during the 4 months CURRENT period of March through 8 June 1967. This is probably the most reliable ~~data~~ as it is the most current. There is also ~~a very~~ good correlation between useage data and the parts AS WOULD BE ANTICIPATED THE QUANTITIES TO Std. is ordering. I have extrapolated from thès data ~~a~~ suggested ~~stock [illegible]~~ SUGGESTED MAY BE ~~ordered and~~ stocked at ACD. In a great many cases the quantity ~~ordered would~~ represent from 6 months to a 1 year supply. This was considered economically feasible as ~~these~~ SEVERAL ~~specific~~ parts are very low dollar cost items and procurement costs can be significantly SUPPORT reduced by larger quantity procurements. In analyzing the magnitude of the ~~existing~~ problem, it is apparent that our major spares business is a direct result of the hot air valv equipment installed in engine applications on the DC8, DC9, 707 and 727 and 737 aircraft. THIS UNIT. The major spares business is in detailed parts for the overhaul of this ~~valve~~. In my trip I FOUND ~~[illegible]~~ to the east each major airline had ~~one~~ A section in their repair shops whose full time activity was the overhaul ~~and repair~~ of these units. Spares procurement is particularily heavy in shaft, butterfly and disc components, on wear components in the actuator assemblies and in the ancillary "O" rings, washers and attaching hardware. Although these valves represent our most troublesome units from the standpoint of warranties and repairs, the HELPS TO JUSTIFY If dollar volume from spare parts certainly ~~justifies~~ the difficulties. ~~In~~ a general statement ~~XXXXX~~ were to be made it would appear that both ~~XXXX~~ fuel valves and hydraulic valves over the life span of the equipment will probably not return more than 20% by dollar volume in spare replacement parts whereas the motor operated butterfly equipment will probably return at least 150% to 200% in spares useage over the lifetime of the equipment. It is gratifying to note that we have still approximately 5 items of equipment on 747 aircraft and inasmuch as ACD depends for its long term existance on spares sales I sincerely hope that we obtain some equipment for installation on the engine of this aircraft.

The attached Appendix C listing recommended stock will be subject to a further evaluation once the decision is made to proceed ~~with this material~~. Certainly we want to hold inventory, IT ~~to~~ a minimum to reduce the actual investment thereby increasing the return on

this investment. Harry White indicated that once I furnished this list he would ~~take~~ ASSIST
~~cost effort to evaluate the~~ IN EVALUATING THE actual cost. ACD is in an entirely different situation
~~than~~ FROM Std inasmuch as their inventory must be valued at their acquisition cost whereas from
the standpoint of good business FOR TAX PURPOSES we should evaluate the REQUIRED inventory at ACD at actual cost
including OF EXPENSE the applicable TPD burdens, ~~for [illegible] purposes~~. It is my opinion that the suggested
inventory will probably amount at the outset to $300K at the ~~manufacturing~~ cost level
including burdens of the TPD division but excluding a profit factor. The details of
how we value the inventory can ~~certainly~~ be worked out to allow an equitable ~~split~~ DISTRIBUTION
in the profits on this business ~~mh~~ between ~~the component~~ A.C.D. and ACD. Some suggested
inventory quantities may appear to be excessively high specifically in the areas of
chevron seals, butterfly rings, field assemblies, armature assemblies, etc. ~~[illegible]~~
It has been my experience over the past year that these parts are always short to support
not only our spares requirements but also in many cases our own production lines. This is
not because production control has not ordered adequate parts but production on these items
runs hand to mouth and the availability of PARTS FOR spares is very ~~minimal~~. Perhaps this is only with
ACD, however, I ~~m~~ do not think so. I do ~~m~~ know that due to the dollar pressure to meet
monthly shipment quotas, we are currently supplying Std approximately 30% of their monthly
purchases within a 3 week time span after their placement of the orders. This has certainly
given them a distinct advantage ~~over ACD~~ inasmuch as each month the stockroom is purged of
the components they purchase which are available for shipment.

Section VII - Summary. In conclusion the data presented herein should evolve the
following facts:

1. The ACD operation can increase its volume from the current $800K lever per
year to $2 million per year during the first full year of operation subsequent to the
cancellation of the Std agreement. This is a conservative figure and possibly could run
to 2¼ to 2½ million particularily if concurrent with this decision a decision is also
made to transfer both customer expense and warranty repairs into ACD.

2. Even allowing for more than adequate coverage for airline contact, sales
personnel, etc to sell the ACD operation to the airlines, the increased volume should result
in at least $100 to $150K additional profit for the Corporation.

[illegible] of this decision is very important as concurrent [illegible]

1000

well planned program to woo the airlines should commence. My current thinking is that this decision should be consummated within the next 30 calendar days so that we can take the necessary action to commence stocking and give official notice to Std as of October 1 of this year with the effective date of cancellation 6 months thereafter or March 1, 1968. would put a minimum of $750 to $800K worth of business into the ACD operation during the 8 month period from March through October of fiscal 1967.

4. Under the terms of the Std distributorship agreement, SIX MONTHS NOTICE we have nothing but a moral obligation insofar as the residual inventory which will be available in their stock. In my opinion Std MUST ~~ought~~ have an appreciable amount of material WITH NO ~~of little~~ value. ~~XXXX~~ To my knowledge, in ~~my~~ discussions with Fred Bohling, they have never had an inventory write down of obsolete or OVERSTOCKED ~~over-requisitioned~~ material. The agreement has been in effect for approximately 7 years during which period of time they have undoubtedly enjoyed sales of approximately $5 million and if on this basis they now find themselves with $200 to $250K worth of useless material this is certainly a REASONABLE ~~poor~~ ratio considering THE ~~than~~ volume. In my opinion we should make every effort to utilize any residual inventory they may have which is ~~in fact~~ saleable. The actual cost of reimbursing them for this material at their acquisition price is unknown but in order to PRESERVE ~~[illegible]~~ this relationship on the best of terms our RETURNS ~~decision~~ should be as judicious and equitable as is economically feasible.

After reviewing this proposed plan you may want further data TO GO ~~which will be supplied as soon as possible after approval requested~~?

PLEASE ADVISE. THANX

PX-14

1001

PCF

26

DP 10/28/7

PLAINTIFF'S EXHIBIT 14
71-C-305
10-16-74

PERSONAL

MEMORANDUM

TO: J. J. Davies

FROM: J. J. Bollo

DATE: January 28, 1969

SUBJECT: Whittaker

During my visit to the West Coast last week, I visited Whittaker's new facility in North Hollywood. Harry White is the General Manager and Glen Danks is his assistant.

A quick summary is as follows:

1. QOR items, which carry a 15 percent discount to us are a problem for them. Had Harry White or Dave Kimball known of our request two years ago, our contract would not have been supplemented to extend us a discount. He feels it raises the price to the end customer and encourages surplus sales activity.
2. On the Lockheed 1011 and the DC10, the competitive situation is so great that, in all probability, we will not be handling either unit or spare part support business on these aircraft. The 747 will probably be the same.
3. Within three to six months, a new price list will be prepared; probably with list prices and varying discounts to the different categories of trade. Again, quoting Harry White - - In 1962, when our contract was renegotiated, had Whittaker realized the jet potential, they would have set up their own program.
4. He criticised our branch locations, feeling that it would be more practical if we handled all requirements from Garden City.

(continued)

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5. Gus Pollack was let out on 1-17 by Glen Danks. No problem - under the new set up, he just isn't needed - 18 years of service.

6. We were complimented on the job we have done for the airlines and Harry assured me that our current jet program is secure for a minimum of two years.

7. In passing Fred Space's office, which was unmarked (he was out of town), Harry White remarked - - He's just a Product Line Manager involved in outside sales and within a matteroof a few months he will have absolutely no management function.

I will give you a few more details in our next conversation and ask that all of this be treated confidentially.

J. J. Bollo

JJB:pac

STANDARD NY

J.E. Rewska
J.J. Davies

PX-15

1003

②

STANDARD AIRCRAFT EQUIPMENT COMPANY 2/6/69 4:40 PM MSG #8
GARDEN CITY NEW YORK

ATTN MR JERRY BOLLO

SUBJ 747 PRICING

PLAINTIFF'S ~~4~~ EXHIBIT 15
[illegible]
71-C-305
10-16-74
PENGAD-Bayonne, N.J.

REF YOUR TWX 2/6/69

IN ACCORDANCE WITH OUR RECENT DISCUSSIONS WITH HARRY WHITE, IT IS WHITTAKER'S INTENT TO ACCOMPLISH ALL INITIAL PROVISIONING FOR THE 747 AIRCRAFT THROUGH THE CONTROLS DIVISION. WE ARE CURRENTLY IN THE PROCESS OF PREPARING A LETTER TO BE SENT TO ALL POTENTIAL 747 OPERATORS WHICH WILL ESTABLISH A LIST PRICE FOR THE END ASSEMBLIES ONLY. THIS LETTER WILL ADVISE THESE OPERATORS TO PLACE ALL INITIAL PROCUREMENT WITH THE CONTROLS DIVISION. FOR YOUR INFORMATION WE HAVE ALREADY SUPPLIED PROVISIONING PARTS DATA AND OVERHAUL MANUALS DIRECTLY TO THE 747 OPERATORS FOR ALL UNITS WITH THE EXCEPTION OF ONE. DATA HAS NOT YET BEEN PROVIDED FOR THE 6" RELIEF VALVE AS THIS VALVE IS STILL UNDERGOING QUALIFICATION AT OUR FACILITY. WE FURTHER ANTICIPATE BEING ABLE TO SUPPLY ATA-200 DOCUMENTATION DIRECTLY TO THE OPERATORS WITHIN THE NEXT 90 TO 120 DAYS.

GLEN C. DANKS MANAGER, ADMINISTRATION, CONTROLS DIVISION
WHITTAKER CORP.

	Gross Sales of Bendix Navigation & Control Parts	% of Total Sales of Standard
1965	$ 501,000	8.5%
1966	600,000	9.1
1967	949,000	12.2
1968	1,692,000	18.6

PLAINTIFF'S EXHIBIT 16
71-C-305
10-C-74

1005

EXHIBIT 28
10/29/71 W. B.

PX-17

Bendix
Navigation & Control Division
Teterboro, New Jersey 07608
Tel (201) 288-2000

Mr. J. Bollo
Standard Aircraft Equipment Co., Inc.
969 Steward Avenue
Garden City, L. I., N. Y.

April 1, 1968

Subject: Discount Schedule Change - End Items

Gentlemen:

As discussed with you during recent ADMA meetings, the commercial aircraft industry with its ever increasing competitive picture has created several financial and support problems for us. Bendix Navigation & Control Division has been most fortunate in winning a sizeable avionics package on the Boeing 747 and we hope to do the same on the SST and Airbus airplanes.

Besides the flight control equipment and instrumentation, we have been able to move into the air data and vertical scale instrumentation field. The whole story on the Boeing 747 is not finished as yet as we are strong in contention on several new items including Heads-up Display (HUD) and a maintenance recording system (AIDS).

We are now faced with the planning and paying the price for this success. Along with a guaranteed reliability program which is basic to all contracts, we have deferred payments and a large development, tooling and test equipment outlay to recover.

We find it necessary that to support these efforts, we must revise our end item discount schedule. Effective May 1, 1968, all commercial end items will be quoted to you on a list less 42.5% basis with the airline net at list less 40%. The only exception to this will be on retrofit programs where we have price competition and the 24 hour emergency buy requirement. The latter will be quoted direct to the airline from the factory at a list less 30% basis.

1006

Bendix

Navigation &
Control Division

Mr. J. Bollo
April 1, 1968
Page 2

May I point out that this discount schedule covers initial provisioning as well as follow-on spares for all commercial end items. We are encouraging all the airline customers to do their initial provisioning of end items spares through our distributors. We conservatively estimate on the 747 alone that there is a market potential from 1970 through 1975 of over $10,000,000. I believe this is quite an incentive for a distributor to get in with his airline customer and back him up with the support he expects.

For planning purposes, I have attached a tentative price list of the Bendix Navigation & Control 747 equipment. The pricing proposed is subject to modification because of engineering and flight test changes.

I hope the above is satisfactory and I would appreciate what comments you may have on this subject at your convenience.

Very truly yours,

THE BENDIX CORPORATION
NAVIGATION & CONTROL DIVISION

Eugene C. Metzler

Eugene C. Metzler
Dir. Sales and Service

ECM:lfk

Attachment

PX-18
1007

Illustration of effect of Bendix Navigation & Control discount changes on margin of sales.

	A	B	Without Cash Discount			With 2% Cash Discount		
			C	D	E	F	G	H
	List Price[1]	Price to Standard	Price to Customer	Profit[2]	Margin of Sales[3]	Price to Customer	Profit[4]	Margin of Sales[5]
Prior to May 1, 1968	$1,000	$500	$600	$100	16.7%	$588	$88	15.0%
After May 1, 1968	1,000	575	600	25	4.2%	588	13	2.2%

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[1] For this illustration, an item or items with total list price of $1,000 is used.

[2] Column C minus Column B.

[3] Column D divided by Column C.

[4] Column F minus Column B.

[5] Column G divided by Column F.

PX-18
1007

	Gross Sales of Bendix Energy Controls Parts	% of Total Sales of Standard
1965	$1,197,000	20.3%
1966	1,416,000	21.4
1967	1,308,000	16.8
1968	1,769,000	19.4

PLAINTIFF'S EXHIBIT 19
~~Solar~~ Creed
71-C-305
10-17-74
PENGAD-BAYONNE, N.J.

PLF
EXHIBIT 29
ID
10/29/71 W.S.

1009
PX-20

Bendix

Energy Controls Division

717 North Bendix Drive
South Bend, Indiana 46620
Tel (219) 233-4141

Standard Aircraft Equipment Co., Inc.
969 Stewart Avenue
Garden City, L.I., New York 11530

October 30, 1968

Attention: Mr. Louis Bollo

Subject: Change in Discount Effective January 1, 1969

Gentlemen:

For the reasons outlined in our recent meeting, this is to confirm the following changes in our Sales policy:

1. All consignment will be discontinued effective January 1, 1969. All items in consignment stock are to be purchased by the Branch to whom consigned at the discounts effective on that date or returned to South Bend for credit.

2. Purchase orders dated after December 31, 1968, will reflect a discount of list less 54% for rotors, stators, and linings. All other parts, whether Propulsion Control or Energy Absorbtion, will be handled at the list less 60% discount historically extended to our distributors.

3. A part number listing of the rotors, stators, and linings specifically effected by Paragraph No. 2 will be forwarded to you approximately December 15, 1968. This will assure a completely current listing which will be updated as new parts in this catagory are added.

It is imperative that all of your people concerned in this change be advised by you prior to subject effective date.

See me on this

LJB

Sincerely,

W. C. Rux

W. C. Rux
Manager, Service Sales

WCR/kp

Px-21

Illustration of effect of Bendix Energy control discount changes on margin of sales.

	A	B	Without Cash Discount			With 2% Cash Discount		
			C	D	E	F	G	H
	List Price	Price to Standard	Price to Customer	Profit[1]	Margin of Sales[2]	Price to Customer	Profit[3]	Margin of Sales[4]
Prior to December 31, 1968	$1,000	$400	$550	$150	27.3%	$539	$139	25.8%
After December 31, 1968	1,000	460	550	90	16.4%	539	79	14.7%

PLAINTIFF'S EXHIBIT
21
71-C.305
10-17-74

---

[1] Column C minus Column B.

[2] Column D divided by Column C.

[3] Column F minus Column B.

[4] Column G divided by Column F.

Px-22
1011

Estimate of quantitative effect of Bendix Energy Control discount changes on profitability of Standard.

	A Sales of Bendix Energy Control Parts	B Margin of Sales prior to 12-31-68	C Estimated Profit[1]	D Margin of Sales on Rotors, Stators & Linings after 12-31-68	E Estimated Profit[2] assuming post-1968 Margin on Rotors, Stators & Linings[3]	Loss of Profit[4]
1968	$1,769,000	25.8%	$456,000	14.7%	$299,000	$157,000
1967	1,308,000	25.8%	337,000	14.7%	221,000	116,000
1966	1,416,000	25.8%	365,000	14.7%	239,000	126,000
1965	1,197,000	25.8%	308,000	14.7%	202,000	106,000

---

[1] Product of Column A and Column B.

[2] The figures in Column E represent estimates of what the profit on Energy Controls sales would have been had the post-1968 margins been in effect during the years 1965-68.

[3] These figures assume rotors, stators and linings comprise 80% of the sales of Energy Control products through Standard, and that the 1968 margin [Column B] continues for the remaining 20% of the sales.

[4] Column C minus Column E.

PLAINTIFF'S EXHIBIT 22
71 C 365
10-17-74

1012

PX-23

The Bendix Corporation
Fisher Building
Detroit, Michigan 48202

Louis B Young
Vice President—Aerospace Marketing

April 11, 1969

Mr. Louis J. Bolio, President
Standard Aircraft Equipment Company, Inc.
969 Stewart Avenue
Garden City, New York 11530

Dear Lou:

For new programs such as the Boeing 747 and Douglas DC-10, we will be providing highly-sophisticated flight-control equipment and instrumentation in a business environment which must assure the airlines of both product performance and cost of ownership.

Specifically, we have offered the airlines such assurances as three-year product warranties, five-year guaranteed MTBF programs, and ceilings on the cost of repair parts per flight hour.

These programs will necessitate a very close and direct working relationship between the airlines and our Navigation & Control Division, and accurate accounting tailored to the individual methods of each of the airlines we serve. I am sure you can appreciate this must be a relationship which assures us of firm control of airline workmanship, materiel usage, etc.

In light of these considerations and with respect to our Navigation & Control Division's products for the 747, DC-10, and other new programs, we have decided that as of 1 May 1969 we will serve the airline aftermarket on a factory-direct basis rather than through our distributors. At the same time, I want to reiterate our sincere belief that aviation distributors have an important and effective role in serving our airline aftermarket, and that we look forward to continuing our distributor program for other products and aircraft.

Sincerely,

Lou

BEST COPY AVAILABLE

1013

PX-24

INVENTORY Dec 31, 1962

Folio

Sheet No. 1 Thru 6

Called by

Entered by J E R.

Department PLF 10

Location ID 10/28/71

Priced by

Extended by J E R

Examined by

ITEM NO.	DESCRIPTION	√	QUANTITY	UNIT	PRICE	UNIT	EXTENSIONS
	Recap - Inventory Write-off Dec 31, 196						
			Code.				n *.
			141				2273 67
			142				1874 95
			111				3941 69
			Net Total				10,000 05

45-780 PADDED

45-780 TUMBLER WIRE BINDING

115

1014

INVENTORY Dec 31 1964 Folio

Sheet No.

Department

Called by

Location

Entered by J E Ruchia.

Priced by

Extended by

Examined by

ITEM NO	DESCRIPTION	√	QUANTITY	UNIT	PRICE	UNIT	EXTENSIONS
	Recap of inventory Write-off as of Dec 31, 1964.						
	Sheet # 1 thru 13 Code 011						14649 01
	Sheet # 14 thru 16 Code 140						6951 01
							21600 02
	Net Total						
	7/12/66 Called J Pappas IRS 7/14/66 " " again						
	Amount Forward						

45-780 PADDED
35-780 TUMBLER WIRE BINDING

PX-26 **INVENTORY** Dec 31 1965 Folio 1015

Sheet No.

Called by

Entered by

Department

Location Garden City

Priced by

Extended by

Examined by JE Rucker

ITEM NO	DESCRIPTION	√	QUANTITY	UNIT	PRICE	UNIT	EXTENSIONS
	Recap of inventory Write-off Dec 31, 1965						
	Product code 011						14741 18 -
	021						17540 66 -
	031						3223 72 -
	041						3221 68 -
	051						1930 25 -
	061						1224 28 -
	071						760 38 -
	111						5968 67 -
	121						5246 07 -
	122						4275 34 -
	124						1480 01 -
	125						465 9[illegible] -
	161						24 [illegible] -
	200						1 [illegible]
	Amount Forward						60100 00

4/14/66
Copy to S.S.C.

RECAP of DEC, 31, 1967 Write off.

PLF
EXHIBIT 7
19 2/6/ W.D.

01	6, 145.39
02	13, 807.76
03	3,563.00
04	386.05
05	556.55
06	948.35
07	250.27
15	19,627.78

Total Write off 45, 285.15

PLAINTIFF'S
EXHIBIT 27
71-C-305
10-17-74

PX-27

1016

STANDARD AIRCRAFT EQUIPMENT COMPANY, INC.

SUMMARY SCHEDULE - TOTAL ASSETS AND TOTAL INVENTORIES CONSOLIDATED

As of December 31,	Total Assets	Total Inventories	Percentage of Total Inventory to Total Assets
1965	$2,742,496	$1,625,277	59.26%
1966	$3,389,604	$2,181,782	64.36%
1967	$4,810,846	$2,689,172	55.90%
1968	$5,105,541	$3,392,076	66.44%
1969	$6,395,702	$4,291,027	67.09%

Sources of information:

Dollar amounts - Audit reports of Byrnes & Baker, Certified Public Accountants.

PLAINTIFF'S EXHIBIT
Ident. 28
71-C: 305
10-17-74

PX-28

1017

Px-29

STANDARD AIRCRAFT EQUIPMENT CO., INC.

SUMMARY OF MOST PROBABLE VALUE OF INVENTORY CONSIDERED DEADSTOCK UNDER APPLICATION OF THE "TWO-YEAR RULE"

	Deadstock	
	Becoming Deadstock During Year Ended December 31,	Balance at December 31,
1961	$ 318	$ 318
1962	7,578	7,896
1963	9,223	17,119
1964	23,363	40,482
1965	27,253	67,735
1966	39,772	107,507
1967	76,258	183,765
1968	107,539	291,304
1969	126,034	417,338

Source of information:

Analysis prepared by Price Waterhouse & Co., Certified Public Accountants

PLAINTIFF'S EXHIBIT 29
71 C 305
10-17-74

Px-30

COMPUTATION OF NET WORTH AND ADJUSTED NET WORTH PER SHARE OF STANDARD AIRCRAFT EQUIPMENT CO., INC. AS AT DECEMBER 31, 1968 AND SEPTEMBER 18, 1969

	Net Worth[1]	Total Shares Outstanding	Net Worth Per Share	Total Deadstock[3]	Adjusted Net Worth[4]	Adjusted Net Worth Per Share
December 31, 1968	$ 2,634,958	443,700	$ 5.94	$ 291,304	$ 2,343,654	$ 5.28
September 18, 1969	2,659,694[2]	443,700	6.08	381,427	2,278,267	5.13

---

1. From Books and Records of Standard.

2. Figure obtained by interpolation from year-end 1968 and 1969 figures.

3. Figure is additional amount which would have been written off had a two-year rule been applied to the entire enventory.

4. Net worth minus deadstock.

Px 30
71 c. 3085

1020

Px-31

STANDARD AIRCRAFT EQUIPMENT CO., INC.

MEMORANDUM RE ANALYSIS OF INVENTORY TO DETERMINE AMOUNT OF DEADSTOCK INVENTORY UNDER THE "TWO-YEAR RULE"

Price Waterhouse & Co. was engaged to analyze the company's inventory records to determine how much of the 1970 inventory would have been considered deadstock at prior year-ends under the application of a "two-year rule" described as follows:

> All inventory items for which there had been no sales for the prior two years were considered to be deadstock.

This analysis was performed by Price Waterhouse staff using random sampling techniques (1) to select individual inventory items. The pertinent company inventory records for all of the selected items were then inspected by Price Waterhouse staff and a record made of the year in which each item would be considered deadstock under the "two-year rule." For example, if the last sale of a specific inventory item (i.e., part number) occurred in 1963, that item was considered to have become deadstock in 1965.

Price Waterhouse staff then summarized the inventory value of the sampled items and determined the total value of items considered to have become deadstock in each of the years 1961 through 1970. This summary by years was then processed by a time-sharing computer utilizing statistical techniques (2) to project the most probable value of the total 1970 inventory considered to be deadstock and the value which was considered to have become deadstock in each of the years 1961 to 1970 as follows:

PLAINTIFF'S EXHIBIT 31
71-C-305
10-17-74

---

(1) See Exhibit(1)

(2) See Exhibit(2)

1961	$ 318
1962	7,578
1963	9,223
1964	23,363
1965	27,253
1966	39,772
1967	76,258
1968	107,539
1969	126,034
1970	189,766
Projected total deadstock as of December 31, 1970	$607,104

D. W. Christopher
Pittsburgh, Pa.
September 4, 1974

EXHIBIT(1)

STANDARD AIRCRAFT EQUIPMENT CO., INC.

ANALYSIS OF INVENTORY TO DETERMINE AMOUNT OF DEADSTOCK INVENTORY UNDER THE "TWO-YEAR RULE"

Following is a summary of the total inventory items in the field and the inventory items selected:

Items with Inventory Value of	Total Number of Inventory Items in the Field	Total Number of Inventory Items Selected
More than $500	181	181
$200 - $499	423	133
$100 - $199	691	74
$50 - $99	962	53
Less than $50	42,237	383

As can be seen in the preceding table, Price Waterhouse selected all inventory items with extended values in excess of $500. The other items were selected by use of a random number table and a Price Waterhouse random number generator computer program.

EXHIBIT(2)

STANDARD AIRCRAFT EQUIPMENT CO., INC.

ANALYSIS OF INVENTORY TO DETERMINE AMOUNT OF DEADSTOCK INVENTORY UNDER THE "TWO-YEAR RULE"

Following is an outline of the statistical techniques used to project the most probable value of the total 1970 inventory considered to be deadstock and the value which was considered to have become deadstock in each of the years 1961 to 1970:

1. The sample results by statistical stratum and by year in which each item would be considered deadstock under the "two-year rule" together with statistics for the total field were entered into a time-sharing computer.
2. Using a computer program, the computer then calculated the fraction of the sampled items considered to have become deadstock in each of the years by stratum related to the total sampled items considered to have become deadstock.
3. Using a computer program, the computer then calculated the fraction of the total sampled items considered to have become deadstock in each of the years by stratum related to the total sampled items.
4. Using a computer program, the computer then calculated the most probable value of the total inventory considered to have become deadstock in each of the years by stratum and in total.

1024

C

PLAINTIFF'S EXHIBIT 32
71-C-305
10-[illegible]-74

PX-32

May 9, 1969

Pan American World Airways, Inc.
Pan Am Building
New York, New York 10017

Attention: Mr. R. L. Sommer
Purchasing Manager

Subject: Boeing 747 Support Program

Gentlemen:

In accord with instructions from Navigation & Control Division of The [illegible] Corporation [illegible] telephone discussion, the following 747 orders are cancelled:

Order No.	Issue Date	Supplements
U93022-ORSV	11-07-68	No. 1 dated 12-18-68 No. 2 dated 1-06-69 No. 3 dated 1-21-69
U00817-ORSV	2-06-69	---
U93024-ORSV	11-07-68	No. 1 dated 12-18-68 No. 2 dated 1-21-69
U00816-ORSV	2-06-69	---
U93026-ORSV	11-07-68	No. 1 dated 12-18-68 No. 2 dated 1-21-69
U93267-ORSV	2-20-69	---
U93106-ORSV	1-06-69	No. 1 dated 2-14-69
U93183-ORSV	1-23-69	---

Very truly yours,

STANDARD AIRCRAFT EQUIPMENT CO., INC.

Jerry Iello
Senior Vice President

JJI:pav
Enc.

BEST COPY AVAILABLE

PAN AMERICAN WORLD AIRWAYS, INC.
PAN AM BUILDING, NEW YORK, N.Y. 10017

1025

STANDARD AIRCRAFT EQUIP CO.
969 STEWART AVE.
GARDEN CITY N.Y.

1068

P9831 ←— SUPPLIER CODE

PURCHASE ORDER NUMBER —→ U93022-0D3V

SHOW THE PURCHASE ORDER NUMBER AND SUPPLIER CODE ON ALL INVOICES AND RELATED CORRESPONDENCE. SHOW ONLY THE PURCHASE ORDER NUMBER AND ANY ADDITIONAL MARKS ON ALL PACKAGES. EACH PACKAGE UNIT AND INVOICE MUST ALSO SHOW GROSS PACKAGE WEIGHTS.

SHIPPING INSTRUCTIONS

DATE: 11-07-196

SHIP TO:

PAN AMERICAN WORLD AIRWAYS, INC. VIA:
CENT RECEIVING + SHIPPING

HANGAR 14
JFK INTERNATIONAL AIRPORT
JAMAICA, N.Y. 11430
REF.P.O.# U93022-0D3V

Specified Shipping Method Codes: SSF

UP TO: 40 LBS.	UNITED PARCEL SERVICE/ALTERNATE PARCEL POST	
TO: 40 LBS.	RY. EXPRESS	0
OVER LBS.	MONTAUK FREIGHTWAYS	

Prepay transportation charges. Do not insure or declare value in excess of transportation carrier's FBL minimum liability. Submit receipted bills with your invoice. Each shipment must contain unpriced P/L inside and outside of package.

INVOICE ONLY FOR QUANTITY SHIPPED OR SERVICES RENDERED

BILLING INSTRUCTIONS

SEND 5 INVOICES TO PAN AMERICAN WORLD AIRWAYS INC., Attn.: Director-Disbursement
P. O. Box 1412, Grand Central Station, New York, N. Y. 10017

[redacted]

Defense Order System Code	Defense Material Allotment Code
A1	

When appropriate code or codes are printed in the column or columns to the left such code or codes by authority of the Federal Aviation Agency are certified under DMS Reg. 1. "You are required to follow the provisions of DMS Reg. 1 and of all other applicable regulations and orders of BDSA in obtaining controlled materials and other products and materials needed to fill this order."

BY AUTHORITY OF: PURCHASING MANAGER, PAN AM

F.O.B. POINT: GARDEN CITY NYF A

TERMS: 2.0% - 10 DAYS

PLEASE REFER TO: MR. TOOLAN

QUANTITY	UNIT	PAA Class/Part No.		VENDOR PART NO.	DESCRIPTION	T/E	UNIT PRICE	PRICE UNIT	Disc	EXTENDED V
15 ~~16~~ -/-14	EA	405	072206	1903679-1 1903997-1	COMPUT 022	25	~~5908.00~~ 5770.00	EA	NET	~~94528.00~~

SPARES FOR BOEING 747 AIRCRAFT — Spec. 200 Code - 8

5770.—

Note Dely - Ship on but not before 8/15/69

ADDITIONAL ITEM DESCRIPTION, SPECIFICATIONS, ACCEPTABLE ALTERNATE PART NUMBER/S:

SPEC 200 CODE-8 --CONTROL SHIP. ON/NOT BEFORE BELOW DATE/S
REQUIRED 16 BY 08/15/1969

Sched. Dely

GRAND TOTAL ~~94528.00~~

~~[illegible]~~

$ 90,958

P.O.

This is to certify that Pan American World Airways, Inc. holds sales tax certificate of registration No. 23-08/12416 '59 and that, by authority of the Florida Revenue Commission, Pan American World Airways, Inc. hereby assumes the responsibility for remitting direct to the appropriate authority all applicable Florida sales and use tax due on the merchandise covered by this order.

PAN AMERICAN WORLD AIRWAYS, INC.

SEE REVERSE SIDE FOR INFORMATION RE: PURCHASE ORDER TERMS AND CONDITIONS AND INTERPRETATION OF ATA SPECIFICATION 200 CODES USED HEREIN FOR SPECIFIED SHIPPING METHOD AND UNIT OF PURCHASE.

PURCHASING MANAGER

1026

[illegible]
PAN AM BUILDING, NEW YORK, N. Y. 10017

SUPPLEMENT NUMBER

STANDARD AIRCRAFT EQUIP CO
969 STEWART AVE
GARDEN CITY NY

P9831 ← SUPPLIER CODE

PURCHASE ORDER NUMBER → U93022-0087

PURCHASE ORDER DATE: 11-7-68

SUPPLEMENT DATE: 1-6-69

☐ CANCEL REFERENCED PURCHASE ORDER IN ITS ENTIRETY (Action Code 1).

☒ CHANGE REFERENCED PURCHASE ORDER AS FOLLOWS (Action Code 3):

PLEASE REFER TO: C TITA 83/CL

	ITEM #	QUANTITY	UNIT	PAA Class/Part No.		VENDOR PART NO. DESCRIPTION	T/E	UNIT PRICE	PRICE UNIT
NEW DATA: (Only the Revised Portion of the Item/s is Shown)		14						6497.00	
INSTEAD OF:	1	16	EA	405	072206	1903679-1 COMPUT	25	5908.00	EA

THIS SUPPLEMENT IS ISSUED TO CANCEL SUPPLEMENT #1 DATED 12-18-68 IN ITS ENTIRETY.

ALSO ADD DESCRIPTION

COMPUTER P/N 1903679-1 IS TO BE SUPPLIED COMPLETE WITH CALIBRATOR P/N 1903947-1

REFERENCE: S.R. NO. 17633C

PRICES INDICATED HEREIN ARE MAXIMUM BUT ARE TO BE ADJUSTED DOWNWARD TO THE LOWEST PRICES IN EFFECT ON DATE OF SHIPMENT IF SELLER'S PRICES DECLINE.

1/9 Called Tita – He confirms Qty. reduced by 2 pc
14 is correct.

PAN AMERICAN WORLD AIRWAYS, INC.
O. L. Horner

PAN AMERICAN WORLD AIRWAYS, INC.
PAN AM BUILDING, NEW YORK, N.Y. 10017

1027

TO.
STANDARD AIRCRAFT EQUIP CO.
969 STEWART AVE.
GARDEN CITY N.Y.

1068

09851 ← SUPPLIER CODE
PURCHASE ORDER NUMBER → 000217-0D8V

SHOW THE PURCHASE ORDER NUMBER AND SUPPLIER CODE ON ALL INVOICES AND RELATED CORRESPONDENCE. SHOW ONLY THE PURCHASE ORDER NUMBER AND ANY ADDITIONAL MARKS ON ALL PACKAGES. EACH PACKAGE UNIT AND INVOICE MUST ALSO SHOW GROSS PACKAGE WEIGHTS.

SHIP TO: EA

SHIPPING INSTRUCTIONS

DATE 02-06-1

PAN AMERICAN WORLD AIRWAYS, INC. VIA: EA
CENT RECEIVING + SHIPPING
HANGAR 14
JFK INTERNATIONAL AIRPORT
JAMAICA, N.Y. 11430
REF. P.O.# U00217-0D8V

Specified Shipping Method Codes: SSF

UP TO 40 LBS.	UNITED PARCEL SERVICE/ALTERNATE PARCEL	
TO LBS.	RY. EXPRESS	
OVER 40 LBS.	MONTAUK FREIGHTWAYS	

Prepay transportation charges. Do not insure or declare value in excess of transportation carrier's FREE maximum limit. Submit receipted bills with your invoice. Each shipment must contain unpriced P/L inside and outside of package.

INVOICE ONLY FOR QUANTITY SHIPPED OR SERVICES RENDERED

BILLING INSTRUCTIONS

SEND 5 INVOICES TO PAN AMERICAN WORLD AIRWAYS INC., Attn.: Director-Disbursement
P. O. Box 1410, Grand Central Station, New York, N. Y. 10017

[redacted]

Defense Order System Code	Defense Material Allotment Case
A1	

When appropriate code or codes are printed in the column or columns to the left such code or codes by authority of the Federal Aviation Agency are certified under DMS Reg. No. 1. "You are required to follow the provisions of DMS Reg. 1 and of all other applicable regulations and orders of BDSA in obtaining controlled materials and other products and materials needed to fill this order."
BY AUTHORITY OF: PURCHASING MANAGER, FAA

F.O.B. POINT: GARDEN CITY NYF A

TERMS: 2.0% - 10 DAYS

PLEASE REFER TO: MR. TOOLAN

QUANTITY	UNIT	PAA Class/Part No.		VENDOR PART NO.	DESCRIPTION	T/E	UNIT PRICE	PRICE UNIT	Disc	EXTENDED V
1	EA	121	R36041	60B00043-30 R0390?1	CALIBR 022	25	727.00	EA	NET	727.0

SPARES FOR BOEING 747 AIRCRAFT

747

Same as 60B00043-30.

ADDITIONAL ITEM DESCRIPTION, SPECIFICATIONS, ACCEPTABLE ALTERNATE PART NUMBER/S:

Note SPEC 200 CODE-8 CONTROL SHIP. ON/NOT BEFORE BELOW DATE/S
~~REFER YOUR QUOTE~~ 2369 REQUIRED 1 BY 08/15/1969

Note Ship on but not before 8/15/69

~~GRAND TOTAL~~ 727.00

IN ADDITION TO OTHER TERMS AND CONDITIONS, THIS PURCHASE ORDER IS SUBJECT TO THE TERMS CONDITIONS OF THE PRODUCT SUPPORT AGREEMENT FOR 747 AIRCRAFT COMPONENTS, WHEN EXECUTED, BETWEEN BENDIX NAVIGATION AND CONTROLS DIV AND PAN AMERICAN.

OSO 85539

This is to certify that Pan American World Airways, Inc. holds sales tax certificate of registration No. 23 '08 '12416 '59 and that, by authority of the Florida Revenue Commission, Pan American World Airways, Inc. hereby assumes the responsibility for remitting direct to the appropriate authority all applicable Florida sales and use tax due on the merchandise covered by this order.

SEE REVERSE SIDE FOR INFORMATION RE PURCHASE ORDER TERMS AND CONDITIONS AND INTERPRETATION OF ATA SPECIFICATION 200 CODES USED HEREIN FOR SPECIFIED SHIPPING METHOD AND UNIT OF PURCHASE.

PAN AMERICAN WORLD AIRWAYS, INC.
G. F. Skinner
PURCHASING MANAGER

PAN AMERICAN WORLD AIRWAYS, INC.
PAN AM BUILDING, NEW YORK, N.Y. 10017

~~1028~~

17634C

TO.
~~STANDARD AIRCRAFT EQUIP CO.~~
~~969 STEWART AVE.~~
~~GARDEN CITY N.Y.~~

1068

P9831	← SUPPLIER CODE PURCHASE ORDER NUMBER →	U93024-008V

SHOW THE PURCHASE ORDER NUMBER AND SUPPLIER CODE ON ALL INVOICES AND RELATED CORRESPONDENCE. SHOW ONLY THE PURCHASE ORDER NUMBER AND ANY ADDITIONAL MARKS ON ALL PACKAGES. EACH PACKAGE UNIT AND INVOICE MUST ALSO SHOW GROSS PACKAGE WEIGHTS.

SHIPPING INSTRUCTIONS

DATE: 11-07-1968

SHIP TO: PA

PAN AMERICAN WORLD AIRWAYS, INC. VIA: PA
CENT RECEIVING + SHIPPING

HANGAR 14
JFK INTERNATIONAL AIRPORT
JAMAICA, N.Y. 11430
REF.P.O.# U93024-008V

Specified Shipping Method Codes: SSF

UP TO: 40 LBS. UNITED PARCEL SERVICE/ALTERNATE PARCEL POST
TO: 40 LBS. RY. EXPRESS
OVER LBS. MONTAUK FREIGHTWAYS

Prepay transportation charges. Do not insure or declare value in excess of transportation carrier's FREE maximum liability. Submit receipted bills with your invoice. Each shipment must contain unpriced P/L inside and outside of package.

INVOICE ONLY FOR QUANTITY SHIPPED OR SERVICES RENDERED

BILLING INSTRUCTIONS

Original B/L or Express Receipt Must Accompany Each Invoice

SEND 5 INVOICES TO PAN AMERICAN WORLD AIRWAYS INC., Attn.: Director-Disbursement
P. O. Box 1412, Grand Central Station, New York, N. Y. 10017

A1	
Defense Order System Code	Defense Material Allotment Code

[redacted] ... Federal Aviation Agency are certified under DMS Regulation No. 1. When appropriate code or codes are printed in the column or columns to the left such code or codes by authority of the Federal Aviation Agency are certified under DMS Regulation No. 1. "You are required to follow the provisions of DMS Reg. 1 and of all other applicable regulations and orders of BDSA in obtaining controlled materials and other products materials needed to fill this order."
BY AUTHORITY OF: PURCHASING MANAGER, FAA ASS

F.O.B. POINT: GARDEN CITY NYF A

TERMS: 2.0% - 10 DAYS

PLEASE REFER TO: MR. TOOLAN

QUANTITY	UNIT	PAA Class/Part No.		VENDOR PART NO.	DESCRIPTION	T/E	UNIT PRICE	PRICE UNIT	Disc	EXTENDED VAL
17 ~~16~~	EA	405	072209	1925170-1	COUPLE	25	~~11083.00~~	EA	NET	~~177328.0~~
4. 17	ea			1903955-1	022		[illegible]			

note - SPARES FOR BOEING 747 AIRCRAFT - Spec 200 code 8

Ship on but not before 8/15/69

not Dely -

ADDITIONAL ITEM DESCRIPTION, SPECIFICATIONS, ACCEPTABLE ALTERNATE PART NUMBER/S:

SPEC 200 CODE-8 CONTROL SHIP- ON/NOT BEFORE BELOW DATE/S
REQUIRED -16- BY 08/15/1969

Sched Dely

GRAND TOTAL ~~177328.00~~

PO

This is to certify that Pan American World Airways, Inc. holds sales tax certificate of registration No. 23 08 12416 59 and that, by authority of the Florida Revenue Commission, Pan American World Airways, Inc. hereby assumes the responsibility for remitting direct to the appropriate authority all applicable Florida sales and use tax due on the merchandise covered by this order.

PAN AMERICAN WORLD AIRWAYS, INC.

R. A. [illegible] Jr.
PURCHASING MANAGER

SEE REVERSE SIDE FOR INFORMATION RE: PURCHASE ORDER TERMS AND CONDITIONS AND INTERPRETATION OF ATA SPECIFICATION 200 CODES USED HEREIN FOR SPECIFIED SHIPPING METHOD AND UNIT OF PURCHASE.

PAN AMERICAN WORLD AIRWAYS, INC.
PAN AM BUILDING, NEW YORK, N. Y. 10017

SUPPLEMENT NUMBER 1029

TO:
STANDARD AIRCRAFT EQUIP CO
969 STEWART AVENUE
GARDEN CITY NEW YORK

P9831 ← SUPPLIER CODE

PURCHASE ORDER NUMBER → U93021-CUS

17634C

PURCHASE ORDER DATE: 11/7/68

SUPPLEMENT DATE: 12/18/68

☐ CANCEL REFERENCED PURCHASE ORDER IN ITS ENTIRETY (Action Code 1).

☒ CHANGE REFERENCED PURCHASE ORDER AS FOLLOWS (Action Code 3):

PLEASE REFER TO: C TIT4 83/AR

	ITEM #	QUANTITY	UNIT	PAA Class/Part No.		VENDOR PART NO. DESCRIPTION	T/E	UNIT PRICE	PRICE UNIT
EW DATA: Only the Revised Portion of the Item/s is Shown)		17						12718.00	
NSTEAD OF:	1	16	EA	405	072209	1925170-1 COUPLE SPARES FOR BOEING 747 AIRCRAFT	25	11083.00	EA

NOTE: 17 EACH CALIBRATOR PN 1903955-1 IS TO BE SUPPLIED WITH PN 1925170-1
COUPLER AT AN ADDITIONAL COST $1680.00 EA NET. THIS PRICE WILL BE
INCLUDED IN THE TOTAL UNIT PRICE SHOWN ON PURCHASE ORDER.

REFERENCE: S R NO 17634C

PRICES INDICATED HEREIN ARE MAXIMUM BUT ARE TO BE ADJUSTED DOWNWARD TO THE LOWEST PRICES IN EFFECT ON DATE OF SHIPMENT IF SELLER'S PRICES DECLINE.

PAN AMERICAN WORLD AIRWAYS, INC.

R. L. Homer

PAN AMERICAN WORLD AIRWAYS, INC.
PAN AM BUILDING, NEW YORK, N.Y. , 10017

4030

TO: STANDARD AIRCRAFT EQUIP CO.
969 STEWART AVE.
GARDEN CITY N.Y.

1068

P9831	← SUPPLIER CODE
PURCHASE ORDER NUMBER →	U00816-0DBV

93106

SHOW THE PURCHASE ORDER NUMBER AND SUPPLIER CODE ON ALL INVOICES AND RELATED CORRESPONDENCE. SHOW ONLY THE PURCHASE ORDER NUMBER AND ANY ADDITIONAL MARKS ON ALL PACKAGES. EACH PACKAGE UNIT AND INVOICE MUST ALSO SHOW GROSS PACKAGE WEIGHTS.

SHIPPING INSTRUCTIONS

DATE: 02-06-196

SHIP TO:

PAN AMERICAN WORLD AIRWAYS, INC., VIA:
GENT RECEIVING + SHIPPING
HANGAR 14
JFK INTERNATIONAL AIRPORT
JAMAICA, N.Y. 11430
REF.P.O.# U00816-0DBV

Specified Shipping Method Codes: SSF

UP TO: 40 LBS. UNITED PARCEL SERVICE/ALTERNATE PARCEL PO
TO: 40 LBS. RY. EXPRESS
OVER LBS. MONTAUK FREIGHTWAYS

OD

Prepay transportation charges. Do not insure or declare value in excess of transportation carrier's FREE maximum liability. Submit receipted bills with your invoice. Each shipment must contain unpriced P/L inside and outside of package.

INVOICE ONLY FOR QUANTITY SHIPPED OR SERVICES RENDERED

BILLING INSTRUCTIONS

SEND 5 INVOICES TO PAN AMERICAN WORLD AIRWAYS INC., Attn.: Director-Disbursement
P. O. Box 1412, Grand Central Station, New York, N. Y. 10017

Original B/L or Express Receipt Must Accompany Each Invoice

[redacted]

Defense Order System Code	Defense Material Allotment Code
A1	

When appropriate code or codes are printed in the column or columns to the left such code or codes by authority of the Federal Aviation Agency are certified under DMS Reg No. 1. "You are required to follow the provisions of DMS Reg. 1 and of all other applicable regulations and orders of BDSA in obtaining controlled materials and other product materials needed to fill this order."
BY AUTHORITY OF: PURCHASING MANAGER, PAA

F.O.B. POINT: GARDEN CITY NYF A
TERMS: 2.0% - 10 DAYS

PLEASE REFER TO: MR. TOOLAN

QUANTITY	UNIT	PAA Class/Part No.		VENDOR PART NO.	DESCRIPTION	T/E	UNIT PRICE	PRICE UNIT	Disc	EXTENDED VA
1	EA	121	R36040	60B00057-2 1903955-1	CALIBR 022	25	1680.00 ✓	EA	NET	1680.0

note SPARES FOR BOEING 747 AIRCRAFT

747

note (Same as 60B00057-2

ADDITIONAL ITEM DESCRIPTION, SPECIFICATIONS, ACCEPTABLE ALTERNATE PART NUMBER/S:

note { SPEC 200 CODE-8 ~~CONTROL~~ SHIP. ON/NOT BEFORE BELOW DATE/S
2365 REQUIRED 1 BY 08/15/1969
~~REFER YOUR QUOTE~~

note - Ship on but not before 8/15/69

GRAND TOTAL 1680.00

IN ADDITION TO OTHER TERMS AND CONDITIONS, THIS PURCHASE ORDER IS SUBJECT TO THE TERMS AND CONDITIONS OF THE PRODUCT SUPPORT AGREEMENT FOR 747 AIRCRAFT COMPONENTS, WHEN EXECUTED, BETWEEN BENDIX NAVIGATION AND CONTROLS DIV AND PAN AMERICAN.

050 4553

This is to certify that Pan American World Airways, Inc. holds sales tax certificate of registration No. 23 05 12416 59 and that, by authority of the Florida Revenue Commission, Pan American World Airways, Inc. hereby assumes the responsibility for remitting direct to the appropriate authority all applicable Florida sales and use tax due on the merchandise covered by this order.

PAN AMERICAN WORLD AIRWAYS, INC.

SEE REVERSE SIDE FOR INFORMATION RE: PURCHASE ORDER TERMS AND CONDITIONS AND INTERPRETATION OF ATA SPECIFICATION 200 CODES USED HEREIN FOR SPECIFIED SHIPPING METHOD AND UNIT OF PURCHASE.

PURCHASING MANAGER

Acceptance of this order, seller agrees to the above and to the conditions on reverse side hereof. The purchase order acknowledgment must be completely filled in and returned within 3 days of its receipt.

PAN AMERICAN WORLD AIRWAYS, INC.
PAN AM BUILDING, NEW YORK, N. Y. 10017

1031
F14/F1C

TO: STANDARD AIRCRAFT EQUIP CO.
969 STEWART AVE.
GARDEN CITY N.Y.

1068

P9831 ← SUPPLIER CODE
PURCHASE ORDER NUMBER →

U93267-CDEV

SHOW THE PURCHASE ORDER NUMBER AND SUPPLIER CODE ON ALL INVOICES AND RELATED CORRESPONDENCE. SHOW ONLY THE PURCHASE ORDER NUMBER AND ANY ADDITIONAL MARKS ON ALL PACKAGES. EACH PACKAGE UNIT AND INVOICE MUST ALSO SHOW GROSS PACKAGE WEIGHTS.

SHIP TO: 54

SHIPPING INSTRUCTIONS

DATE: 02-20-1969

PAN AMERICAN WORLD AIRWAYS, INC. , VIA: 54
CENT RECEIVING + SHIPPING

HANGAR 14
JFK INTERNATIONAL AIRPORT
JAMAICA, N.Y. 11430
REF.P.O.# U93267-CDEV

Specified Shipping Method Codes: SSF

UP TO: 40 LBS. UNITED PARCEL SERVICE/ALTERNATE PARCEL POST
TO: 40 LBS. RY. EXPRESS 077
OVER LBS. MONTAUK FREIGHTWAYS

Prepay transportation charges. Do not insure or declare value in excess of transportation carrier's FREE maximum liability. Submit receipted bills with your invoice. Each shipment must contain unpriced P/L inside and outside of package.

INVOICE ONLY FOR QUANTITY SHIPPED OR SERVICES RENDERED

BILLING INSTRUCTIONS

SEND 5 INVOICES TO PAN AMERICAN WORLD AIRWAYS INC., Attn.: Director-Disbursement
P. O. Box 1417, Grand Central Station, New York, N. Y. 10017

Original B/L or Express Receipt Must Accompany Invoice

Defense Order System Code	Defense Material Allotment Code
A1	

[redacted]

When appropriate code or codes are printed in the column or columns to the left such code or codes by authority of the Federal Aviation Agency are certified under DMS Reg. No. 1. "You are required to follow the provisions of DMS Reg. 1 and of all other applicable regulations and orders of BDSA in obtaining controlled materials and other products and materials needed to fill this order."
BY AUTHORITY OF: PURCHASING MANAGER, PA

F.O.B. POINT: GARDEN CITY NYF A

TERMS: 2.0% - 10 DAYS

PLEASE REFER TO MR. TOOLAN

QUANTITY	UNIT	PAA Class/Part No.		VENDOR PART NO.	DESCRIPTION	T/E	UNIT PRICE	PRICE UNIT	Disc	EXTENDED VAL
20	EA	405	073404	1903925-1	COMPUT 622	25	14012.00 ✓	EA	NET	~~280240.00~~

Note

SPARES FOR BOEING 747 AIRCRAFT

ADDITIONAL ITEM DESCRIPTION, SPECIFICATIONS, ACCEPTABLE ALTERNATE PART NUMBER/S:

note SPEC 200 CODE-8 CONTROL SHIP. ON/NOT BEFORE BELOW DATE/S
REQUIRED 20 BY 08/15/1969

note - Ship on but not before 8/15/69

GRAND TOTAL ~~280240.00~~

IN ADDITION TO OTHER TERMS AND CONDITIONS, THIS PURCHASE ORDER IS SUBJECT TO THE TERMS AND CONDITIONS OF THE PRODUCT SUPPORT AGREEMENT FOR 747 AIRCRAFT COMPONENTS, WHEN EXECUTED, BETWEEN BENDIX NAVIGATION AND CONTROLS DIV AND PAN AMERICAN.

OSO 90879

This is to certify that Pan American World Airways, Inc. holds sales tax certificate of registration No. 23-08-12416-59 and that, by authority of the Florida Revenue Commission, Pan American World Airways, Inc. hereby assumes the responsibility for remitting direct to the appropriate authority all applicable Florida sales and use tax due on the merchandise covered by this order.

PAN AMERICAN WORLD AIRWAYS, INC.

SEE REVERSE SIDE FOR INFORMATION RE: PURCHASE ORDER TERMS AND CONDITIONS AND INTERPRETATION OF ATA SPECIFICATION 200 CODES USED HEREIN FOR SPECIFIED SHIPPING METHOD AND UNIT OF PURCHASE.

R. L. Toomer
PURCHASING MANAGER

PAN AMERICAN WORLD AIRWAYS, INC.

1032 PAN AM BUILDING, NEW YORK, N.Y. 10017

TO: STANDARD AIRCRAFT EQUIP CO.
969 STEWART AVE.
GARDEN CITY N.Y.

P9851	← SUPPLIER CODE PURCHASE ORDER NUMBER →	093165-0[illegible]V

A

SHOW THE PURCHASE ORDER NUMBER AND SUPPLIER CODE ON ALL INVOICES AND RELATED CORRESPONDENCE. SHOW ONLY THE PURCHASE ORDER NUMBER AND ANY ADDITIONAL MARKS ON ALL PACKAGES. EACH PACKAGE UNIT AND INVOICE MUST ALSO SHOW GROSS PACKAGE WEIGHTS.

SHIPPING INSTRUCTIONS

DATE: 01-[illegible]-1969

SHIP TO:
PAN AMERICAN WORLD AIRWAYS, INC. VIA:
CENT RECEIVING + SHIPPING
HANGAR 14
JFK INTERNATIONAL AIRPORT
JAMAICA, N.Y. 11430
REF.P.O.# 093165-0DEV

Specified Ship Method Code: S

UP TO: 40 LBS.	UNITED PARCEL SERVICE / ALTERNATE PARCEL PO
TO: 40 LBS.	RY. EXPRESS
OVER 40 LBS.	MONTAUK FREIGHTWAYS

Prepay transportation charges. Do not insure or declare value in excess of transportation carrier's FREE maximum liabili Submit receipted bills with your invoice. Each shipment must contain unpriced P/L inside and outside of package.

INVOICE ONLY FOR QUANTITY SHIPPED OR SERVICES RENDERED

BILLING INSTRUCTIONS

SEND 5 INVOICES TO PAN AMERICAN WORLD AIRWAYS INC., Attn.: Director-Disbursement
P. O. Box 1412, Grand Central Station, New York, N. Y. 10017

Original B/L [illegible]

Defense Order System Code	Defense Material Allotment Code
A1	

[illegible]

When appropriate code or codes are printed in the column or columns to the left such code or codes by authority of the Federal Aviation Agency are certified under DMS Reg. No. 1. "You are required to follow the provisions of DMS Reg. 1 and of all other applicable regulations and orders of BDSA in obtaining controlled materials and other products materials needed to fill this order."
BY AUTHORITY OF: PURCHASING MANAGER, PAA

F.O.B. POINT: GARDEN CITY NYF A

TERMS: 2.0% - 10 DAYS

PLEASE REFER TO: MR. TOOLAN

QUANTITY	UNIT	PAA Class/Part No.		VENDOR PART NO. DESCRIPTION	T/E	UNIT PRICE	PRICE UNIT	Disc	EXTENDED VA
22	EA	405	073414	36154-1AF25A1 IND	25	2352.00	EA	NET	51744.0

SPARES FOR BOEING 747 AIRCRAFT

ADDITIONAL ITEM DESCRIPTION, SPECIFICATIONS, ACCEPTABLE ALTERNATE PART NUMBER/S:

SPEC 200 CODE-8 CONTROL SHIP. ON/NOT BEFORE BELOW DATE/S
REFER YOUR QUOTE 1769 REQUIRED 22 BY 05/15/1969

GRAND TOTAL 51744.00

NOTE: IN ADDITION TO OTHER TERMS AND CONDITIONS, THIS PURCHASE ORDER IS SUBJECT TO THE TERMS AND CONDITIONS OF THE PRODUCT SUPPORT AGREEMENT FOR 747 AIRCRAFT COMPONENTS, WHEN EXECUTED, BETWEEN BENDIX FLIGHT & ENGINE INSTRUMENTS DIVISION AND PAN AMERICAN.

This is to certify that Pan American World Airways, Inc. holds sales tax certificate of registration No. 23 03 12416 57 and that, by authority of the Florida Revenue Commission, Pan American World Airways, Inc. hereby assumes the responsibility for remitting direct to the appropriate authority all applicable Florida sales and use tax due on the merchandise covered by this order.

PAN AMERICAN WORLD AIRWAYS, INC.

SEE REVERSE SIDE FOR INFORMATION RE. PURCHASE ORDER TERMS AND CONDITIONS AND INTERPRETATION OF ATA SPECIFICATION 200 CODES USED HEREIN FOR SPECIFIED SHIPPING METHOD AND UNIT OF PURCHASE.

PURCHASING MANAGER

PAN AMERICAN WORLD AIRWAYS, INC.
PAN AM BUILDING, NEW YORK, N.Y. 10017

1033
171,346

TO:
STANDARD AIRCRAFT EQUIP CO.
969 STEWART AVE.
GARDEN CITY N.Y.

1067

P9831 ← SUPPLIER CODE

PURCHASE ORDER NUMBER → U93026-0D8V

SHOW THE PURCHASE ORDER NUMBER AND SUPPLIER CODE ON ALL INVOICES AND RELATED CORRESPONDENCE. SHOW ONLY THE PURCHASE ORDER NUMBER AND ANY ADDITIONAL MARKS ON ALL PACKAGES. EACH PACKAGE UNIT AND INVOICE MUST ALSO SHOW GROSS PACKAGE WEIGHTS.

SHIPPING INSTRUCTIONS

DATE: 11-07-196

SHIP TO:
PAN AMERICAN WORLD AIRWAYS, INC. VIA:
CENT RECEIVING + SHIPPING

HANGAR 14
JFK INTERNATIONAL AIRPORT
JAMAICA, N.Y. 11430
REF.P.O.# U93026-0D8V

UP TO: 40 LBS.	UNITED PARCEL SERVICE/ALTERNATE PARCEL P	
TO: 40 LBS.	RY. EXPRESS	OD
OVER LBS.	MONTAUK FREIGHTWAYS	

Specified Shipping Method Codes: SSF

Prepay transportation charges. Do not insure or declare value in excess of transportation carrier's FREE maximum liabil. Submit receipted bills with your invoice. Each shipment must contain unpriced P/L inside and outside of package.

INVOICE ONLY FOR QUANTITY SHIPPED OR SERVICES RENDERED

BILLING INSTRUCTIONS

SEND 5 INVOICES TO PAN AMERICAN WORLD AIRWAYS INC., Attn.: Director-Disbursement
P. O. Box 1412, Grand Central Station, New York, N. Y. 10017

Original Bill of Express Receipt Must Accompany each Invoice

[illegible]

Defense Order System Code	Defense Material Allotment Code
A1	

When appropriate code or codes are printed in the column or columns to the left such code or codes by authority of the Federal Aviation Agency are certified under DMS Re No. 1. "You are required to follow the provisions of DMS Reg. 1 and of all other applicable regulations and orders of BDSA in obtaining controlled materials and other pro materials needed to fill this order."
BY AUTHORITY OF: PURCHASING MANAGER, PAA

F.O.B. POINT: GARDEN CITY NYF A

TERMS: 2.0% - 10 DAYS

$3700

PLEASE REFER TO: MR. TOOLAN

QUANTITY	UNIT	PAA Class/Part No.		VENDOR PART NO.	DESCRIPTION	T/E	UNIT PRICE	PRICE UNIT	Disc	EXTENDED VA
20	EA	405	072211	1903678-1	COMPUT 022	25	~~3307.00~~	EA	NET	~~66140.~~
+ 20	ea			1903950-1						

SPARES FOR BOEING 747 AIRCRAFT - Spec. 200 code -8

Note - Dely - Ship on but not before 8/15/69

ADDITIONAL ITEM DESCRIPTION, SPECIFICATIONS, ACCEPTABLE ALTERNATE PART NUMBER/S:

SPEC 200 CODE-8 CONTROL SHIP. ON/NOT BEFORE BELOW DATE/S
REQUIRED 20 BY 08/15/1969

Sched. Dely

GRAND TOTAL ~~66140.00~~

$74,000

P.O.

This is to certify that Pan American World Airways, Inc. holds sales tax certificate of registration No. 23-08-12416-59 and that, by authority of the Florida Revenue Commission, Pan American World Airways, Inc. hereby assumes the responsibility for remitting direct to the appropriate authority all applicable Florida sales and use tax due on the merchandise covered by this order.

PAN AMERICAN WORLD AIRWAYS, INC.

PURCHASING MANAGER

SEE REVERSE SIDE FOR INFORMATION RE: PURCHASE ORDER TERMS AND CONDITIONS AND INTERPRETATION OF ATA SPECIFICATION 200 CODES USED HEREIN FOR SPECIFIED SHIPPING METHOD AND UNIT OF PURCHASE.

1034

PAN AMERICAN WORLD AIRWAYS, INC.
PAN AM BUILDING, NEW YORK, N. Y. 10017

SUPPLEMENT NUMBER 1

STANDARD AIRCRAFT EQUIPMENT CO
969 STEWARD AVE
GARDEN CITY, NY

P9831 ← SUPPLIER CODE

PURCHASE ORDER NUMBER → 093026-008V

PURCHASE ORDER DATE: 11-7-68

SUPPLEMENT DATE: 12-18-68

☐ CANCEL REFERENCED PURCHASE ORDER IN ITS ENTIRETY (Action Code 1).

☒ CHANGE REFERENCED PURCHASE ORDER AS FOLLOWS (Action Code 3):

PLEASE REFER TO: C.TITA 83/PF

	ITEM #	QUANTITY	UNIT	PAA Class	Part No.	VENDOR PART NO. DESCRIPTION	T/C	UNIT PRICE	PRICE UNIT
NEW DATA: (Only the Revised Portion of the Item/s is Shown)								3700.00	
INSTEAD OF:	1	20	EA	405	[illegible] 072211	1903678-1 COMPUT SPARES FOR BOEING 747 AIRCRAFT	25	3307.00	EA

20 EACH CALIBRATOR P/N 1903950-1 IS TO BE SUPPLIED WITH P/N 1903678-1 COMPUTER AT AN ADDITIONAL COST OF $412.00 EA NET. THIS PRICE WILL BE INCLUDED IN THE TOTAL UNIT PRICE SHOWN ON PURCHASE ORDER.

REFERENCE: SR NO. 17635C

PRICES INDICATED HEREIN ARE MAXIMUM BUT ARE TO BE ADJUSTED DOWNWARD TO THE LOWEST PRICES IN EFFECT ON DATE OF SHIPMENT IF SELLER'S PRICES DECLINE.

PAN AMERICAN WORLD AIRWAYS, INC.
Q. L. Homer

7

PAN AMERICAN WORLD AIRWAYS, INC.
PAN AM BUILDING, NEW YORK, N. Y. 10017

1035

TO: STANDARD AIRCRAFT EQUIP CO.
969 STEWART AVE.
GARDEN CITY N.Y.

P9831 ← SUPPLIER CODE

PURCHASE ORDER NUMBER → U93185-008V

SHOW THE PURCHASE ORDER NUMBER AND SUPPLIER CODE ON ALL INVOICES AND RELATED CORRESPONDENCE. SHOW ONLY THE PURCHASE ORDER NUMBER AND ANY ADDITIONAL MARKS ON ALL PACKAGES. EACH PACKAGE UNIT AND INVOICE MUST ALSO SHOW GROSS PACKAGE WEIGHT.

SHIPPING INSTRUCTIONS

DATE: 01-23-1969

SHIP TO:
PAN AMERICAN WORLD AIRWAYS, INC. VIA:
CENT RECEIVING + SHIPPING
HANGAR 14
JFK INTERNATIONAL AIRPORT
JAMAICA, N.Y. 11430
REF.P.O.# U93185-008V

Specified Shipping Method Codes: SSF

UP TO 40 LBS. UNITED PARCEL SERVICE/ALTERNATE PARCEL PO
TO 40 LBS. NY. EXPRESS
OVER LBS. MONTAUK FREIGHTWAYS

Prepay transportation charges. Do not insure or declare value in excess of transportation carrier's FREE maximum liability. Submit receipted bills with your invoice. Each shipment must contain unpriced P/L inside and outside of package.

INVOICE ONLY FOR QUANTITY SHIPPED OR SERVICES RENDERED

BILLING INSTRUCTIONS

SEND 5 INVOICES TO PAN AMERICAN WORLD AIRWAYS INC., Attn.: Director-Disbursement
P. O. Box 1412, Grand Central Station, New York, N. Y. 10017

Original Bill of Lading Express Receipt Must Accompany Each Invoice

Defense Order System Code	Defense Material Allotment Code
A1	

When appropriate code or codes are printed in the column or columns to the left such code or codes by authority of the Federal Aviation Agency are certified under DMS Regulation No. 1. "You are required to follow the provisions of DMS Reg. 1 and of all other applicable regulations and orders of BDSA in obtaining controlled materials and other products materials needed to fill this order."

BY AUTHORITY OF: PURCHASING MANAGER, FAA AC

F.O.B. POINT: GARDEN CITY NYF A

TERMS: 2.0% - 10 DAYS

PLEASE REFER TO: MR. TOOLAN

QUANTITY	UNIT	PAA Class/Part No.		VENDOR PART NO.	DESCRIPTION	T/E	UNIT PRICE	PRICE UNIT	Disc	EXTENDED VAL
10	EA	405	072207	1903596-1	SERVO	25	975.00	EA	NET	9780.0

SPARES FOR BOEING 747 AIRCRAFT

ADDITIONAL ITEM DESCRIPTION, SPECIFICATIONS, ACCEPTABLE ALTERNATE PART NUMBER/S:

SPEC 200 CODE-8 CONTROL SHIP. ON/NOT BEFORE BELOW DATE/S
REQUIRED 10 BY 08/15/1969

GRAND TOTAL 9780.00

NOTE: IN ADDITION TO OTHER TERMS AND CONDITIONS, THIS PURCHASE ORDER IS SUBJECT TO THE TERMS AND CONDITIONS OF THE PRODUCT SUPPORT AGREEMENT FOR 747 AIRCRAFT COMPONENTS, WHEN EXECUTED, BETWEEN BENDIX NAVIGATION AND CONTROLS DIVISION AND PAN AMERICAN.

This is to certify that Pan American World Airways, Inc. holds sales tax certificate of registration No. 23 05 12/16 59 and that, by authority of the Florida Revenue Commission, Pan American World Airways, Inc. hereby assumes the responsibility for remitting direct to the appropriate authority all applicable Florida sales and use tax due on the merchandise covered by this order.

PAN AMERICAN WORLD AIRWAYS, INC.

SEE REVERSE SIDE FOR INFORMATION RE: PURCHASE ORDER TERMS AND CONDITIONS AND INTERPRETATION OF ATA SPECIFICATION 200 CODES USED HEREIN FOR SPECIFIED SHIPPING METHOD AND UNIT OF PURCHASE.

PURCHASING MANAGER

1036

DX-A

p 31-39

EXCHANGE OFFER
To Holders of Common and Preferred Stock
PITTSBURGH COKE & CHEMICAL COMPANY

557,913 Shares

Merck & Co., Inc.

Common Stock
(par value $.05 5/9 per share)

Pittsburgh Coke & Chemical Company ("Pittsburgh Coke") hereby offers, on the terms set forth under "Exchange Offer", to exchange 557,913 shares of Common Stock of Merck & Co., Inc. ("Merck") for shares of Pittsburgh Coke Common Stock, $4.80 Serial Preferred Stock and $5.00 Serial Preferred Stock in the respective ratios of:

1.1 shares of Merck Common Stock
for
1 share of Pittsburgh Coke Common Stock

1.104 shares of Merck Common Stock
for
1 share of Pittsburgh Coke $4.80
Serial Preferred Stock

1.158 shares of Merck Common Stock
for
1 share of Pittsburgh Coke $5.00
Serial Preferred Stock

Hillman Land Company, which, with a subsidiary, owns 715,004 shares (or approximately 61.5%) of the outstanding Common Stock of Pittsburgh Coke, and the directors, officers and employees of Pittsburgh Coke, who beneficially own 2,656 shares of such outstanding Common Stock, have waived their respective rights to exchange any of such shares for Merck Common Stock. The number of shares of Merck Common Stock being offered is sufficient to enable all other shareholders of Pittsburgh Coke to accept the Exchange Offer with respect to all of their shares of Common Stock and Preferred Stock. Depending upon the number of shares of Pittsburgh Coke Common Stock exchanged, the size and distribution of the public holdings of Pittsburgh Coke Common Stock could be such that Pittsburgh Coke Common Stock might be subject to delisting by the New York Stock Exchange. Acceptance of the Exchange Offer will constitute a taxable exchange to the exchanging shareholders of Pittsburgh Coke. See "Exchange Offer—Tax Consequences to Exchanging Shareholders" herein.

The Exchange Offer will expire at 3:30 P. M., Eastern Daylight Saving Time, on July 24, 1969, unless extended by Pittsburgh Coke as provided herein.

Goldman, Sachs & Co. has been retained by Pittsburgh Coke as Dealer Manager to use its best efforts to form and manage a group of Soliciting Dealers, including the Dealer Manager, to solicit tenders of Pittsburgh Coke Common Stock and Preferred Stock for exchange under the Exchange Offer and to assist shareholders in tendering their shares. Pittsburgh Coke will pay each Soliciting Dealer a fee of $.95 for each share of Pittsburgh Coke Common Stock or Preferred Stock exchanged through the assistance of the Soliciting Dealer where such Soliciting Dealer is named in the Exchange Form. Pittsburgh Coke will also pay the Dealer Manager a fee of $.15 for each share of Pittsburgh Coke Common Stock or Preferred Stock exchanged under the Exchange Offer, plus all reasonable out-of-pocket expenses incurred by the Dealer Manager. Under separate agreements Pittsburgh Coke and Merck have agreed to indemnify the Dealer Manager and Soliciting Dealers against certain liabilities. The Dealer Manager and Soliciting Dealers may be considered to be underwriters as defined in Section 2(11) of the Securities Act of 1933. See "Exchange Offer—Arrangements with Securities Dealers".

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Goldman, Sachs & Co.

The date of this Prospectus is June 24, 1969

DX1-0437

per share of Pittsburgh Coke Common Stock. Consolidated net income for the 1968 period has been restated from that previously reported to reflect the filing of consolidated tax returns and the retroactive application of the Federal income tax surcharge. The interim amounts are unaudited, but in the opinion of the management of Pittsburgh Coke, include all adjustments (consisting only of normal recurring accruals except for those referred to above) necessary for a fair presentation. The results for the three months ended March 31, 1969 a [illegible] cessarily indicative of results to be expected for the year ending December 31, 1969.

The lower consolidated net income for the three months ended March 31, 1969 as compared to the similar period of 1968 was due primarily to lower investment company net income, as previously explained on page 27. There was no material change in the aggregate amount of combined net income of the operating subsidiaries between the two periods; the increased losses of American Flyers in the 1969 period generally offset the higher earnings of the other operating subsidiaries.

BUSINESS OF PITTSBURGH COKE

History

Prior to 1964 Pittsburgh Coke was primarily an operating company. In 1964 the assets of the industrial chemicals and protective coatings divisions of a subsidiary of Pittsburgh Coke, Pittsburgh Chemical Company, were sold to United States Steel Corporation and the name of Pittsburgh Chemical Company was changed to Pittsburgh Activated Carbon Company. In 1966, Pittsburgh Coke transferred its 100% stock interest in Pittsburgh Activated Carbon Company to Calgon Corporation for a 33⅓% stock interest in Calgon Corporation, which in turn was converted into Pittsburgh Coke's current holdings in Merck as a result of the merger of Calgon Corporation into a subsidiary of Merck on January 31, 1968. Pittsburgh Coke's stock interest in Chemagro Corporation, a manufacturer of agricultural chemicals, was exchanged in 1967 for its current holdings in Bayer. In 1967 Pittsburgh Coke completed the cash sale of its stock interest in Shenango Incorporated, a producer of ingot molds, pig iron and coke, to Shenango pursuant to an agreement entered into in March 1965.

During this period Pittsburgh Coke acquired, for cash, investment positions in several other companies, including Shakespeare Company and an additional investment in Edgewater Corporation. Although Pittsburgh Coke has gradually phased out certain of its previous operations, it has not confined itself to acquiring purely investment positions in other companies. Pittsburgh Coke has continued to develop the operational aspect of its business in other industries through the acquisition of majority interests in the following companies. From 1964 through 1967, Pittsburgh Coke increased its stock interest in First Grant Corporation, a company currently primarily engaged through a subsidiary in the operation of a supplemental airline, from approximately 27% to approximately 71%. On December 30, 1965, Pittsburgh Coke acquired the net assets of Marion Power Shovel Company Division of Universal Marion Corporation through a newly organized wholly owned subsidiary, Marion Power Shovel Company, Inc., which is engaged in production and sale of loading and stripping shovels and draglines. On January 17, 1969, Pittsburgh Coke acquired approximately 58% of the common stock of Penguin Industries, Inc., a manufacturer of various ordnance, personal protection and gun care products.

Due to the value of Pittsburgh Coke's investments in corporations which are not majority owned, primarily the aforementioned holdings of Merck and Bayer, Pittsburgh Coke is an investment company within the meaning of the Investment Company Act of 1940, and has registered as a closed-end, non-diversified management investment company under such Act. However, since Pittsburgh Coke currently has the majority interests specified in the preceding paragraph and in United States Concrete Pipe

Company, it continues to maintain characteristics of an operating company. Accordingly, for financial reporting purposes Pittsburgh Coke prepares both investment company financial statements, in accordance with regulations prescribed under the Investment Company Act of 1940 (referred to herein as the "Investment Company Financial Statements"), and consolidated financial statements including its wholly owned and majority owned subsidiaries. Both sets of financial statements are included elsewhere in this Prospectus.

Investment Program

The description contained under this subheading "Investment Program" constitutes a summary of Pittsburgh Coke's investment policies and other matters related to its status as a registered investment company under the Investment Company Act of 1940. The term "Pittsburgh Coke" when used under this subheading means Pittsburgh Coke & Chemical Company and its investment company subsidiary and excludes its operating subsidiaries.

Investment Objective—The primary investment objective of Pittsburgh Coke is to seek long term appreciation in the value of the securities in which it invests with income being a secondary objective. Accordingly, Pittsburgh Coke intends to invest primarily in common stocks and securities which are convertible into common stock, but necessarily reserves the right, as economic or market conditions may warrant, to invest in bonds, debentures or preferred stocks. In addition, Pittsburgh Coke intends to generally confine its investments to a limited number of situations in which its interests will constitute control or will be large enough to enable it to exercise some influence on the management of the companies involved.

Restricted and Illiquid Securities—Due to its investment objective, Pittsburgh Coke has assumed and may assume substantial investment positions in securities which are not readily marketable as a result of either the absence of a trading market for such securities, restrictions on sale imposed by the Securities Act of 1933, or other restrictions of the nature referred to below. There is no trading market for the common stock of its wholly owned subsidiaries; there is no established trading market for the common stock of First Grant Corporation; and there is only a limited trading market for the common stock of Edgewater Corporation. Moreover, since Pittsburgh Coke's investment in a number of companies represents "control" within the meaning of the Securities Act of 1933, or was acquired on an "investment letter" basis, the securities representing such investment may not be readily sold in the absence of an appropriate exemption without complying with the registration requirements of such Act. Similarly, as a condition precedent to their loans to certain subsidiary companies, lenders have required that Pittsburgh Coke agree to maintain a minimum stock interest therein. Pittsburgh Coke's entire investment in Edgewater Corporation has been pledged as collateral for a loan to Pittsburgh Coke. Finally, Pittsburgh Coke in connection with the acquisition of its investment in Bayer agreed that such shares would not be sold or disposed of in the United States or its territories or to citizens or residents thereof in the absence of an exemption from registration under the Securities Act of 1933 and that no sale would be made to a qualified purchaser unless he purchased subject to the same restrictions. The absence of an established trading market and restrictions of the foregoing nature substantially adversely affect the liquidity and marketability of securities to which they apply and consequently there is no assurance that Pittsburgh Coke will be able to dispose of such securities at their market or fair value.

Concentration—As of December 31, 1968, approximately 67% of the total value of its assets, represented by its holdings in Merck and Bayer, was concentrated in the drug and chemical industry.

Pittsburgh Coke plans to concentrate its investments in the drug and chemical industry to the extent of more than 25% of the value of its assets. Although Pittsburgh Coke has invested and will continue to invest in other industries, it does not intend to make investments in any one of such other industries representing more than 25% of the value of its assets at the time of such investment.

Fundamental Policies and Investment Restrictions—In addition to the fundamental policies described under "Concentration", Pittsburgh Coke has adopted the additional fundamental policies set forth below. Such fundamental policies may not be changed without the approval of its stockholders.

1. Pittsburgh Coke may borrow funds for the purpose of making additional investments or increasing the size of its current investments, either by borrowing from banks or other lending institutions or by issuing, assuming or guaranteeing senior debt securities, provided, however, that immediately after giving effect to any such borrowings, the aggregate amount of all such borrowings shall not exceed more than 33⅓% of the value of its assets.

2. Pittsburgh Coke does not intend to issue any senior equity securities in addition to its Preferred Stock currently outstanding.

3. Although Pittsburgh Coke owns approximately 920 acres of land, of which approximately 120 acres may be suitable for industrial uses, and has disposed of and acquired small amounts of real estate during the last three years, it does not propose to trade in real estate or interests therein, but may acquire and dispose of real estate and interests therein so long as such investments do not exceed 10% of the value of its assets.

4. Pittsburgh Coke has loaned and intends to continue to loan money to its subsidiaries and other companies in which it has a substantial interest either directly or by way of guarantees, provided however that at no time will such loans aggregate more than 33⅓% of the value of its assets.

5. Pittsburgh Coke has not engaged and does not intend to engage in the business of buying and selling commodities or commodity contracts.

6. Pittsburgh Coke has not acted and does not intend to act as an underwriter of securities of any other companies, except only in those instances in which it acquires securities consistent with its investment policies but under circumstances where, upon subsequent disposition, it may be deemed to be an underwriter for the purposes of the Securities Act of 1933.

7. Pittsburgh Coke does not intend generally to trade in securities, but rather to confine its investments, to the extent of at least 75% of the value of its assets, to a limited number of situations in which its interest can be large enough to enable it to exercise control or at least exercise some influence on the management of the companies involved, but may invest up to 25% of the value of its assets in other situations, including an inventory of readily marketable securities.

Additional Policies—Although Pittsburgh Coke's investment in Merck as of December 31, 1968 represented approximately 55% of the value of its assets, Pittsburgh Coke does not intend to make future investments representing more than 25% of the value of its assets in the securities of any one company. Pittsburgh Coke will not invest in the securities of other investment companies, but may retain any investments in companies which subsequently become investment companies.

Miscellaneous—Pittsburgh Coke does not have an investment adviser.

The portfolio securities (other than holdings of Edgewater Corporation which have been pledged to a bank as collateral security for a loan to Pittsburgh Coke and are held in the custody of such bank) are held in part in Pittsburgh Coke's custody, utilizing the safe deposit box facilities of Pittsburgh National Bank, Grant Building, Pittsburgh, Pennsylvania and are held in part in the custody of Wilmington Trust Company, Wilmington, Delaware.

Operating Subsidiaries

The following is a brief summary of the business conducted by the operating subsidiaries of Pittsburgh Coke and First Grant Corporation, an approximately 71% owned subsidiary of Pittsburgh Coke. See Note A to Consolidated Statement of Income of Pittsburgh Coke for the respective revenues and net income or net loss of each of such subsidiaries, other than Penguin Industries, Inc. which was acquired on January 17, 1969.

United States Concrete Pipe Company—Pittsburgh Coke, through its wholly owned, non-operating subsidiary, United States Concrete Pipe Company (Ohio) and the latter's wholly owned subsidiary, United States Concrete Pipe Company (Florida) manufactures and sells reinforced concrete pipe, vitrified clay pipe and couplings to contractors and municipalities engaged in private and public construction of sewage and drainage systems and other pipe consuming projects. Due to the weight of the finished product and the resulting substantial delivery costs, the sales of United States Concrete Pipe Company (Florida) are limited to the geographic areas where it maintains its plants.

United States Concrete Pipe Company (Florida) has three vitrified clay pipe tunnel and periodic kiln plants, which combined have approximately 720,000 square feet of production space, located at Mogadore and Uhrichsville, Ohio and Ocala, Florida; and seven concrete pipe plants, which combined have approximately 350,000 square feet of production space, located at Ft. Lauderdale, Florida; Cincinnati and Palmyra, Ohio; Baltimore, Maryland; Kalamazoo, Michigan; and Pittsburgh and Philadelphia, Pennsylvania. A distribution yard is maintained at Indianapolis, Indiana.

Marion Power Shovel Company, Inc.—Pittsburgh Coke, through its wholly owned subsidiary, Marion Power Shovel Company, Inc., is engaged in the designing, production and sale of loading shovels, stripping shovels and draglines, and replacement parts. Stripping shovels and draglines are used to remove overburden in surface mining operations and loading shovels are used to fill haulage units with the minerals obtained. The shovels and draglines range in size from 2½ to 180 cubic yards. The principal markets for power shovels and draglines worldwide are in the iron, copper, phosphate quarrying and coal mining industries with the surface coal mining industry accounting for more than a majority of total industry sales.

The shovels and draglines manufactured by Marion are primarily the intermediate and larger sizes, where engineering plays a vitally important role. The largest shovels and draglines are individually designed and manufactured to meet specific customer requirements. The intermediate sized shovels and draglines have standard designs which are adapted to conform to specific requirements. A majority of Marion's sales are made within the United States through its own sales force; foreign sales are made both directly and through independent licensees. The sale of replacement parts is an important aspect of Marion's business. Marion's shovel and dragline manufacturing plant has approximately 1,000,000 square feet of floor space located on approximately 83 acres of land in Marion, Ohio.

American Flyers Airline Corporation—This company, acquired July 31, 1967, is an approximately 90% owned subsidiary of First Grant. American Flyers is a supplemental air carrier authorized to charter passenger (including inclusive tour charters) and cargo flights throughout the 50 states and between the 50 states and points in Canada, Mexico and the Caribbean and to charter passenger flights (including inclusive tour charters) between the 48 contiguous states and Europe, Africa and Asia as far east as and including India, operating under certificates of public convenience and necessity granted by the Civil Aeronautics Board ("CAB"). American Flyers is not authorized to make regularly scheduled flights but charters its aircraft to the military and various civilian groups, including clubs, tour operators and corporate sales incentive organizations. The percentages of gross revenues of American Flyers for 1967 and 1968 derived from civilian passenger charters were 50% and 55%, respectively, the balance being derived from military passenger charters.

American Flyers equipment consists of five Lockheed Electra turbo prop aircraft and two Boeing 727 jet aircraft. Four of the five Lockheed Electra turbo prop aircraft are subject to conditional sales contracts. The two Boeing 727 jet aircraft are leased from Grant Aviation Leasing Corporation, an approximately 87% owned subsidiary of First Grant, and are subject to a chattel mortgage to banks; Grant Aviation's leases thereon have been assigned as additional security to such banks. American Flyers has also leased two Douglas DC-8 stretch jet aircraft from an independent airline for one year terms commencing May 1, 1969, and May 20, 1969, respectively, at a rental of $175,000 per aircraft per month and has an option to renew for an additional year at a rental of $170,000 per aircraft per month. In March 1969 American Flyers confirmed to McDonnell Douglas Corporation its intent to acquire two Douglas DC-8 stretch jet aircraft, in April and May 1970, to replace the DC-8 aircraft currently leased. The cost per aircraft, including a spare engine, is currently estimated at approximately $12,600,000 to $12,800,000, depending upon the type of navigational equipment to be installed. If the transaction is consummated, purchase rights may be assigned to an independent leasing company which will lease the aircraft to American Flyers under a twelve-year lease agreement providing for rental payments aggregating approximately $35,000,000 for the two aircraft over the life of the lease and with performance by American Flyers of its obligations thereunder being guaranteed by Pittsburgh Coke.

Notwithstanding the increase in gross revenues of American Flyers from $10,600,000 in 1967 to $13,700,000 in 1968, American Flyers incurred a net loss of $2,102,000 in 1968 as contrasted with a small net profit in 1967, due primarily to low utilization of its recently introduced Boeing 727 jet aircraft, expenses incurred in expansion and reorganization of the airline, and increased competition. Continued low utilization of jet aircraft and substantial expenses incurred in connection with the introduction of its Douglas DC-8 stretch jet aircraft and the transfer of American Flyers operational headquarters from Oklahoma to Pennsylvania are expected to result in a net loss for 1969 substantially in excess of the 1968 loss.

It is the intention of American Flyers to emphasize commercial business, including the promotion and development of transatlantic passenger charter flights using the long range DC-8 stretch jet aircraft described above. The size of the market for transatlantic passenger charter flights may be adversely affected by new, contract bulk inclusive tour fares ("CBIT") and other group fares offered by scheduled airlines; the CBIT fares, at substantially lower levels than traditional scheduled airline fares, have been approved by the CAB for effectiveness from November 30, 1969 until March 31, 1970 pending the out-come of an investigation by the CAB. The CAB certificate which authorizes transatlantic passenger charters by American Flyers expired by its terms on April 18, 1969, and American Flyers is currently operating under a provision of Federal law until final CAB action on its application for renewal of its certificate. Five other supplemental air carriers currently holding transatlantic charter certificates which expired on the same date have also filed applications for renewal thereof, and Pittsburgh Coke understands they are currently operating under the same provision of Federal law. On December 17, 1968, the CAB ordered that these renewal applications be set for hearing. On June 5, 1969 the CAB further ordered that the applications for transatlantic charter authority by four supplemental air carriers not presently authorized in this market be consolidated in the same hearing, and that revision of the regulations governing transatlantic charter flights and inclusive tour charter flights also be placed in issue in this proceeding. To the date hereof, the CAB has not established a date for the commencement of the hearing; however, on June 16, 1969 the CAB set July 17, 1969 as the date for the pre-hearing conference at which the date for the commencement of the hearing will be set. It is anticipated that final CAB action will not occur until at least 18 months after the date the hearing is commenced. There is no assurance that American Flyers will be successful in obtaining the renewal of its transatlantic certificate in whole or in part, or if successful that it will not be subject to more competition in this market in the form of additional supplemental air carriers holding transatlantic certificates. Furthermore, assuming that American Flyers is successful in renewing its transatlantic certificate, there is no assurance that the carrier will not be subject to more stringent regulation of its charter operations (including inclusive tour charter operations) than it presently experiences.

American Flyers is, as are all other air carriers operating within the United States, subject to the Federal Aviation Act of 1958, as amended, and to the rules and regulations thereunder, pursuant to which the CAB and the Federal Aviation Agency ("FAA") exercise extensive regulatory authority over both commercial and military operations. The CAB's authority covers economic aspects of air service. No revenue flights may be conducted by a United States common carrier with large aircraft (other than between points outside the United States) except as specifically authorized in a certificate, or by an exemption, granted by the CAB. The approval of the President of the United States is also required for a certificate to operate between the United States, on the one hand, and the United States territories and possessions and foreign countries, on the other. The CAB also has jurisdiction over rates charged by all United States air carriers for all domestic operations, both military and commercial, and over relationships among United States air carriers or involving control of United States air carriers. The CAB has no jurisdiction over rate levels for services between the United States and foreign countries, except as to unjustly discriminatory or unduly preferential or prejudicial rates, and no jurisdiction over rates for services within or between foreign countries. The FAA is concerned with safety and regulation of flight operations generally, including aircraft, ground facilities, operating and maintenance standards and practices, communications, certain personnel qualifications, and various other matters. All United States air carriers must secure, and American Flyers has secured, an operating certificate from the FAA. This certificate is effective only as long as the carrier maintains the standards of safety and competency required by the regulations governing American Flyers' operations which are identical to those applicable to other supplemental and route carriers providing comparable service. When American Flyers conducts charter flights for the military, it becomes subject to the regulations of the Department of Defense in connection therewith.

Penguin Industries, Inc.—On January 17, 1969, Pittsburgh Coke acquired approximately 58% of the outstanding common stock of Penguin Industries, Inc., a company which manufactures and sells a variety of products, consisting primarily of detonation devices, signal flares, personal protection equipment and the Hoppe line of gun care products for governmental and law enforcement agencies and the sporting goods field. For its fiscal year ended March 31, 1969 Penguin's gross revenues were $4,572,000 and its net loss was $179,000.

Recent Developments

On December 20, 1968, First Grant, which owned approximately 25% of the outstanding common stock of Standard Aircraft Equipment Company, Inc., entered into an agreement with the controlling stockholder of Standard Aircraft, pursuant to which First Grant agreed to make a tender offer to all the holders of common stock of Standard Aircraft other than such stockholder to purchase their respective shares for a purchase price of $16.00 per share, and such stockholder agreed to sell to First Grant at the same price such additional number of shares of common stock of Standard Aircraft as would be required, after giving effect to the shares previously held by First Grant and those acquired pursuant to the tender offer, to increase First Grant's interest in Standard Aircraft to 354,960 shares, or 80%. An aggregate of 71,309 shares of common stock of Standard Aircraft have been tendered by stockholders other than such stockholder, who, pursuant to such agreement, is required to sell an additional 171,302 shares of common stock to First Grant. Of such 71,309 shares, 68,209 shares tendered by non-affiliates of Standard Aircraft have been accepted and paid for at such price. The consummation of the balance of the arrangement and the retention of the shares already acquired are subject to the approval of the Civil Aeronautics Board. The acquisition of shares from affiliates of Standard Aircraft is also subject to the approval of the Securities and Exchange Commission under the Investment Company Act of 1940. Applications for such approvals are pending.

Standard Aircraft is engaged in the distribution and repair of aircraft instruments, components and accessories. Its properties include land and buildings (principally leased) located in Garden City, New York, the principal office, and at branches in Washington, D. C., Pittsburgh, Detroit, Atlanta, Los Angeles, Miami, San Francisco, Kansas City, Kansas and Farmingdale, New York. There is set forth below Standard Aircraft's gross sales and net income for the three years ended December 31, 1968 and the three months ended March 31, 1968 and March 31, 1969, respectively, and a condensed balance sheet as of December 31, 1968. The yearly gross sales and net income amounts, together with the balance sheet amounts, have been taken from Standard Aircraft's audited financial statements for the respective years. The figures for the three months ended March 31, 1968 and March 31, 1969 have been furnished by Standard Aircraft and are unaudited. Pittsburgh Coke has been advised that in the opinion of the management of Standard Aircraft, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the three month periods have been made.

GROSS SALES AND NET INCOME
(In thousands of dollars)

	Year ended December 31			Three months ended March 31 (unaudited)	
	1966	1967	1968	1968	1969
Gross sales	$6,597	$7,782	$9,121	$2,047	$2,156
Net income	$ 249	$ 298	$ 247	$ 85	$ 44

CONDENSED BALANCE SHEET DECEMBER 31, 1968

(In thousands of dollars)

Current assets	$4,587	Current liabilities	$1,531
Fixed assets	330	Long-term debt and other liabilities	884
Deferred charges and other assets	189	Stockholders' equity	2,691
	$5,106		$5,106

The aggregate cost of First Grant's investment in Standard Aircraft if the agreement referred to above is consummated will be approximately $4,750,000, which would exceed First Grant's equity in the net assets of Standard Aircraft as of March 31, 1969 by approximately $2,550,000.

First Grant plans to make an offering to its stockholders in order to raise approximately $8,000,000, approximately $2,900,000 of which will be used for the acquisition of the additional stock interest in Standard Aircraft referred to above and approximately $3,450,000 of which will be used to satisfy loans by Pittsburgh Coke to First Grant, the proceeds of which were invested in American Flyers and used for the acquisition of the 68,209 shares of common stock of Standard Aircraft already acquired. The balance of the proceeds of the offering will be used to purchase an additional stock interest in American Flyers to provide additional funds for expansion of that corporation's operations, including the introduction of additional jet aircraft. The offering to its stockholders will entitle them to purchase, pro rata, such additional shares of its common stock as may be required to raise such amount. Pittsburgh Coke, which is the owner of approximately 71% of the outstanding common stock of First Grant, expects to purchase such additional shares of common stock to which it may be entitled pursuant to such offering, including any shares not subscribed to by others.

First Grant has entered into an agreement with the owner of the 40% stock interest in Pittsburgh Pacific Company to sell its 60% stock interest to such owner for $2,750,000, subject to adjustment upwards in the event of certain future developments. The consummation of this agreement is subject to the approval of the Securities and Exchange Commission under the Investment Company Act of 1940, an application for which has been filed. Pittsburgh Pacific engages in the production of iron and manganiferous ores in the Lake Superior region and leases and operates mines which have been substantially worked out by others and owns and operates concentrating plants on the Mesabi and Cuyuna iron ranges, specializing in the production and sale of smaller quantities of natural iron ore products to meet individual customer requirements. Pittsburgh Pacific also does contract concentrating of ore.

Borrowing for Investment Purposes under Credit Agreements

Pittsburgh Coke has borrowed and intends to continue to borrow funds for investment purposes subject to the limitations described under "Investment Program—Fundamental Policies and Investment Restrictions". In 1968 Pittsburgh Coke entered into a long-term credit agreement with two banks pursuant to which such banks agreed to loan Pittsburgh Coke up to an aggregate of $40,000,000 on or prior to December 31, 1970 at the prime rate of interest in effect from time to time; and on December 31, 1970 to make refunding loans to Pittsburgh Coke for up to the aggregate amount borrowed under the credit agreement through such date, such refunding loans to bear interest at the rate of ¼ of 1% in excess of the prime rate in effect from time to time and to be repayable in equal annual principal installments over a five-year period ending December 31, 1975. All borrowing under the credit agreement for the purpose of purchasing or carrying securities listed on a national securities exchange is subject to Regulation U of the Federal Reserve Board which regulates the amount banks may loan for such purpose under any loan agreement secured directly or indirectly by stock to the maximum loan value of the collateral as defined in Regulation U, and which in the case of stock used for collateral is currently 20% of its market value. The credit agreement also limits borrowings for the purpose of purchasing or carrying securities not registered on a national securities exchange to 33⅓% of the market value of the investments indirectly securing such loans. The credit agreement provides that with both assets and equity stated at value (see Note 2 to Pittsburgh Coke Investment Company Financial Statements) indebtedness of Pittsburgh Coke, including indebtedness outstanding under the credit agreement, must have an asset coverage of at least 300% and cannot exceed 50% of equity. Pittsburgh Coke has borrowed an aggregate of $10,000,000 under the credit agreement to the date of this Prospectus and expects to borrow shortly approximately $5,000,000 more under the credit agreement, a substantial portion of the proceeds of which is intended to be ultimately used by Pittsburgh Coke for the purchase of the additional shares of Common Stock of First Grant referred to under "Recent Developments". For information with respect to another credit agreement of Pittsburgh Coke, see Note 3 to Pittsburgh Coke Investment Company Financial Statements.

Employee Relations

Pittsburgh Coke and its consolidated subsidiaries have approximately 3,300 employees. Most hourly paid employees are represented by labor unions. All employees are covered by non-contributory group medical and life insurance programs and substantially all are covered by non-contributory pension plans. Relationships with employees are considered to be satisfactory.

Competition

Pittsburgh Coke has substantial competition in all of the areas in which it operates.

LEGAL PROCEEDINGS OF PITTSBURGH COKE

There are currently nine civil treble damage anti-trust actions pending against United States Concrete Pipe Company (Ohio) and various of its competitors in the United States District Courts, three of which are class actions brought on behalf of various political subdivisions of the States of Pennsylvania, Ohio and Michigan in the Eastern District of Pennsylvania, and six of which are individual actions brought by various public authorities in the District Court of Maryland. Such actions arose out of criminal anti-trust proceedings against several companies in 1966, but United States Concrete Pipe Company (Ohio) was not a defendant or named as a co-conspirator in such criminal proceedings. All of the pending actions allege a price-fixing conspiracy on behalf of the defendants, including United States Concrete Pipe Company (Ohio), in violation of Section 1 of the Sherman Act but some of the plaintiffs have not identified the transactions in which United States Concrete Pipe Company (Ohio) was allegedly involved, and none of the plaintiffs have specified how they, who normally did not deal with any of the defendants, were damaged by the alleged conspirators. United States Concrete Pipe Company (Ohio) has filed an answer in all such actions denying liability.

Marion has brought a civil action against Universal Marion Corporation in the United States District Court for the Western District of Pennsylvania seeking to recover in excess of $4,000,000 as compensatory damages and also punitive damages for the alleged breach of certain representations and warranties made by Universal Marion Corporation in the agreement under which Marion acquired the assets of the Marion Power Shovel Company Division of Universal Marion Corporation. Universal Marion Corporation has counterclaimed for approximately $300,000 for reimbursement of certain taxes allegedly paid by it on behalf of Marion. See Note 9 to Pittsburgh Coke Consolidated Financial Statements for further information.

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telegram

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SY-NY 4202 PD TDNN GARDEN CITY NY 1 527P EDT
PUTNAM MCDOWELL PITTSBURGH COKE AND CHEM CO
2000 GRANT BLD PH

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PLEASED TO ADVISE RECEIPHOF CONTRACT FROM EASTERN AIR LINES TODAY TO SUPPLY THEIR BENDIX WHEEL AND BRAKSREQUIREMENTS FO NEXT 2 YEARS

LOUIS J DOLLO [illegible] AIRCRAFT EQUIP CO INC
(33).

About 1,500,000/yr.

8-4-69

(84)

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From the desk of
PUTNAM B. McDOWELL

August 5, 1969

HLH/WGR/JWA/RMJ/RLB

Lou Bollo advised today that in addition to the Eastern business Std. has been awarded United's 747 wheel and brake business which will build gradually 1970-71 to $1,500,000/yr. Eastern will be $1,250,000/yr.

PBM

—1048

PITTSBURGH COKE & CHEMICAL COMPANY

GRANT BUILDING

PITTSBURGH, PA. 1[illegible]19

DX-D

PUTNAM B. MCDOWELL
VICE PRESIDENT

September 5, 1969

Mr. Louis J. Bollo
Standard Aircraft Equipment Company, Inc.
969 Stewart Avenue
Garden City, N. Y. 11530

Dear Lou:

As arranged, Rod Bonar will visit with you on Wednesday, September 10, to review your preliminary sales and earnings forecasts. What we are looking for is in three parts.

1. Anticipated sales and earnings on the new major sales such as Eastern, United, NARCO, etc. This is for the purpose of backing up our investment in or loan of added working capital.
2. An estimate of sales and earnings for the full year 1969.
3. A preliminary look at 1970 sales and earnings. This will provide the framework for developing a formal budget for 1970 as well as for preliminary cash planning for PC&C.

I hope you will have your people prepared with estimates on each of these matters--no matter how rough they may be. This will make Rod's visit more productive than if the discussion deals only with the general approach to such forecasting.

I understand you will arrange an organization meeting of the Board to coincide with our closing date on the 15th (or earlier), and that following that meeting the directors and officers will be as follows.

Directors	Officers
J. W. Adams	Vice President
L. J. Bollo	President
J. W. Bollo	?
H. L. Hillman	
P. B. McDowell	Chairman
W. G. Rauck	Secretary
J. Rushia	

Mr. Louis J. Bollo
September 5, 1969
Page 2

I failed in our telephone conversation to mention that we would like John Adams to be elected a Vice President. This is to facilitate the execution of legal and/or tax documents.

Best wishes.

Sincerely,

Putnam B. McDowell

cc: W. G. Rauck
J. W. Adams
Henry L. Hillman

DEFENDANT'S EXHIBIT
Std E.
71-C-305
10-16-74

1050

DX-E

STANDARD AIRCRAFT EQUIPMENT COMPANY, INC.

Headquarters:	969 Stewart Ave., Garden City, N. Y. (516) PI 7-8787		
Business:	Distributes aircraft parts and repairs fuel and instrument components		
Management:	Louis J. Bollo	58	President
	Jerome J. Bollo	-48	Vice President
	Paul L. Bollo	29	Secretary
	O. T. Leach		Dir. - Estabrook & Co.
	W. B. Lewis		Dir. - Franklin National
	James Garvey		Controller
Subsidiaries: (wholly owned)	Standix Aircraft, Inc.		Sale of reconditioned and used parts
	Standair, Inc.		Accessory and instrument repr
	Standard Aircraft Leasing Corporation		Leases cars and office equip. to parent

Branches:	Washington		Atlanta	1965
	Pittsburgh	1962	Los Angeles	1966
	Detroit	1963	Miami	1967

Customer Breakdown:	Commercial airlines	$2.9 mil.
	Corporate aviation	1.7
	Fixed-base operators	1.2
	Standair, Inc.	0.8
		6.6

Products Distributed:	Whittaker controls	$1.0 mil.	U. S. exclusive
	Goodyear tires & brakes		#3 in U. S.
	Bendix Eclipse-Pioneer		Instruments & auto pilots
	Bendix Scintilla		transmitters
	Bendix Aerospace		wheel brakes filters, fuel metering switches inverters & generators de-ice, air pressure & starting equip.
	Champion	0.3 mil.	plugs & igniters #1 in U.S.
	Sonotone	0.3 mil.	batteries
	Exide		batteries
	Weatherhead		fittings & hose
	Pesco		pumps
	Packard Div. G.M.		cables
	Hoffman - Taff		fuel additive

Overhaul & Modification:

Bendix Eclipse (overhaul)			707-880 auto pilot
SFENA (warranty & parts)			Boeing gyro horizon
Elliott Bros. (overhaul & parts)			BAC-111, VC-10 auto pilot
Total instruments	$0.4 mil.		
Fuel pumps, filters & controls	0.1 mil.	P.&W. recip.	
Inverters & starters, generators	0.1 mil.		
Bendix brake overhaul	0.2 mil.	Small airlines	

Incorporated: New York 1947 succeeding proprietorship from 1933

Employees: Nonunion, pension, regular fringes

Overhaul		15	
Salesman		22	$135-$220 per week salary
Administrative	E	20	
Clerical	E	50	
Other		18	
Total		125	

Facilities:

Garden City	H.Q. and Warehouse	30,000 sq. ft.
Farmingdale	Overhaul	
Branches	Average	5,000 sq. ft.

Indebtedness: December 31, 1966

Note Payable-Franklin National	$235,000
Current Install.-Franklin National	145,000
Current Debt Due	$380,000
Farmingdale Mortgage	37,000
Long Term Debt-Franklin National	427,000
Total Indebtedness	$844,000

Contingent Liabilities

Income taxes 1966 not cleared

Annual leases $47,000

Bollo stock repurchase by Corporation
Up to 50,000 shares from estate at higher of $[illegible] per share or fair market, payable $100,000 from proceeds of life insurance and remainder negotiable between company and estate

1052

Life Insurance on Bollo:	$200,000 face value
New Financing:	Home Life Insurance Company $1.0 mil. 6-3/4% 10 years 5 year noncall level monthly payments out of banks 30 days working capital restriction $2.0 mil. proceeds to repay $800,000 owed Franklin National and add $300,000 net to working capital (Pro forma working capital $2.3 mil.)
Receivables:	Turnover averages 40 days Bad debts average $2,000 per year
Inventory Control:	NCR 500 ledger card, tape, memory system ($77,000)
Buildings:	All leased except Farmingdale Bollo owns Garden City and Detroit Garden City lease - 65¢ per sq. ft.

DX-F

STANDARD AIRCRAFT EQUIPMENT COMPANY, INC.

Ratio Analysis

Year	1961	1962	1963	1964	1965	1966	1967
rofit Margins							
Gross	20%	22%	22%	23%	20%	21%	22%
Operating	-	7	3	4	6	7	9
Pretax	2	6	3	4	6	7	9
Sales Grossed Per							
$ Inventory	$4.00	$3.55	$3.10	$3.00	$3.60	$3.00	$2.90
$ Receivable	7.00	10.30	9.80	9.55	9.20	9.20	8.20
$ Net Wkg. Cap.	4.15	3.60	3.40	2.95	4.00	3.65	2.60
$ Invested		3.50	2.80	2.80	3.60	3.85	2.35
$ Equity		3.90	3.75	3.70	4.85	5.05	3.30
eturn on Equity		13.0%	5.2%	9.5%	16.5%	19.0%	17.5%
nventory as % Cap.		65%	72%	84%	79%	100%	113%
o. of Stores	2	3	3	4	5	6	7
vg. Yrly. Volume Per Store Open at Year End (million)	$1.23	$1.10	$1.20	$0.98	$1.18	$1.10	$1.11

J - 9/24/68

Standard Aircraft Equipment Co., Inc.

DX-6

(000's omitted)

	1st. 6 Mths. 1968	2nd. 6 Mths. 1968	Full Year 1968
N. Sales	$4,427	$4,694	$9,121
Net A.T.	133	131	264
% Sales	3.0	2.8	2.9
	1969 Actual	1969 Est.	1969 Est.
N. Sales	$4,449	$5,351	$9,800 ✓
Net A.T.	17	83	100
% Sales	0.24%	1.55%	1.02%

	Full Year 1970	
Current Bus. Sales	$10,000	- includes .600 of NARCO
Eastern ,.	1,000	
United (747 - 6 planes)	1,000	
NARCO - addn'l iver '69	500	
PAN AM	300	
Net Sales Est. 1970	$12,800	

Net Profit A.T.	$320,500*
% of Sales	2.5%

* Assumes K.C. loses $15,000/mth. for 6 months and breakseven in last 6 mths.

Net A.T. excluding K.C. = $410,500 = 3.2% of Sales

RLB - 9/11/69

Standard Aircraft Equipment Co., Inc.

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$430,000	-	Eastern - $215,000 due to arrive in 30-60 days - balance in 60 to 90 days. Bought 8 months' supply to avoid 8% price increase.
300,000	-	United - must carry 180 days Inv. - shipment due 4 to 6 mths.
70,000	-	Redbank & Pacific Inv. - PAN AM. - Due 120 - 150 days.
300,000	-	Payables Problem - due to cash bind of $800,000 increase in inventory - Part Narco - taking few discounts - cash outflow at K. C. - lengthening payables endanger credit rating.
990,000	-	Debt to Franklin Natl. Bank - by verbal agreement due in 6 mths.
$2,090,000		Cash needs - late '69 and 1970

RLR - 9/11/69

1056

Impact of New Contracts

0210

	United	Eastern	PAN AM	NARCO	Total
Net Sales					
1970	$ 1.0	$1,000	0.3	$ 1.1	$ 3,400
Later*	5.0	1,250	1.5	2.5	10,250
Inventory					
1970	$ 0.3	$0.430	0.070	0.340	1,140
Later*	0.9	0.330	0.150	0.680	2,060
Inventory Turn					
1970	3.3x	2.3x	2.3x	3.2x	3.0x
Later*	5.6x	3.8x	10x	3.7x	5.0x
Net A.T.					
1970	.025	.025	.007	.027	0.084
Later*	.125	.031	.037	.062	0.255

All net incomes after tax are 2.5% of sales

* Time frame 1 to 2 years past 1970

		1969		1968	
Sales	- 6 month	4 449 385		4 427 970	
x	1 Year	9 500 000 - 10 000 000	-	9 120 959	4.7

1969 profit,

6 month	16783	-	132 899	
1 Year	100 000	-	264 073	- $132 2.87

Sales 1970

Estimates	10 000 000
Eastern	1 000 000
United (747) 6 airplanes	1 000 000
Narco Increase	500 000
PAA - Red Bank + Pacific	300 000
	$ 12 800 000

Profit 2.5% $ 320 500

9121
4427
4.694

9.800
4449
5.351

1058

Cash Requirement

F.N. Bank loan	990 000.	30-60 on
Inventory to Support Sales (8 months) to take advantage of 8% price increase.	430 000.	60-90 –
U[illegible] 120 days	300 000.	4-6 mnt.
Payable Picture	300 000.	
Red Bank & Pacific	70 000.	x 120/150 days
	$ 2,090,000	

Yr End 1968 — $3,300,000 (8 written above 3) $825,0.00

June '69 Inv. 4,125,000

- Feb '70

$990,000 Franklin Nat'l Bank

6 mths yet to go.

has been on terms 30 to 60 days. ½ in 60 to 90 days. balance

430,000 Bought 8 mths supply - Foster .2 [illegible]
Must keep ~~4 mths supply~~
Bought 8 mths ~~to avoid 8% price~~
~~increase~~

[illegible] 4 mths [illegible] late

300,000 United - must carry 180 days supply.

9/1 [illegible]

300,000 Payable problem - due to 800,000 increase in inv. plus supporting a non productive N.C. operation - must take discounts and protect credit rating.

90-120-150 days until cost [illegible]

70,000 - Redbooks Pacific [illegible] for PAN AM

$2,090,000

$125 East
300 - United
70 - [illegible]
340
$935

C.E.
B.
RLR 1060

0214 9/10/69

Std. Aircraft Equip

1st 6 Mths '69 — 1st 6 mths '68

4.449 – 4,427 – $100,000 +.
16,283 A.T. — 132,899 A.T. — K.C.

5.4 per [illegible]

$9.8 – $9.5 to $10.0 <880> $9.120

5.4 mil
$84,000 = 1.55%

100,000 A.T. [illegible] Inc — 264,000 A.T. Not In
84,000

1970 — $600,000 NARCO Included. — 1972 / 40 United 747.

$10.0 Normal Bus.

1,000 Eastern

1,000 United 747 6 airplanes 1970

Compact + airworth did 1½ 5 mil/yr — 500 NARCO

could be $1 mil in 1970 — 300 PANAM 747 Pickbacks Pacific Div

Entire [illegible] system

Mai [illegible] Playa [illegible]

$12.800

would be 1% to ½% more P.A.T.

2.5% of Sales PAT – 1968 – 2.7%

$320,000

K.C. 1970 loss
per mth $15,000 P.A.T.
which will occur
for 6 Mths. - Then
decide to liquidate or not

1.1 NARCO
1.0 East
1.0 United
.3 PANAM
$3.4

PAT
2.5%
.5
0

K.C. now has 4th approval
in August. 4th category
out of 6 categories

SMALL Unit production 300%
Connector have
Gross Margins.

Pan-Am - Wheels & brakes & Narco
have higher Margins than
traditional parts

40 747's Serv.
18 747s United [illegible]

25 Airplanes
2 years
Opens

	United - open	Eastern	PAN AM	
Sales	$5.0	$1.250	$1.5	7* [illegible]
P.A.T.	2.5%	2.5%	2.5%	PAT
Inv 1970	0.3	0.430	.070	
	x3	.330	x x2	
	$ 0.9 mil	$ 0.330	$ 0.150	Inv

Wheels & brakes turn 2 to 3 times a year

- cancellable contract 30 day notice.

	NARCO
Sales	$ 2.5
P.A.T	2.5%
Inv 1970	0.340
	x 2
	$ 0.680

- finally getting competition from Bendix because NARCO too profitable. - selectively margins are under pressure

2.5
5.0
1.250
1.5
10.250
3.0%

a
23
1.96

.430
.070
.340
1.140

Inventory Turns for all 4 contracts should stay around 4 turns

The additional bus. will be handled with the current fixed expense

Addn'l Cash Requirements

$430,000 – Eastern – $215,000 due to arrive in 30-60 days balance in 60 to 90 days – Bought 8 mths supply to avoid 8% price increase

300,000 – United – Must carry 180 days Inv. shipment due 4 to 6 mths

70,000 – Redbank & Pacific Inv. – PAN AM. Due 120–150 days.

300,000 – Payables Problem – Due to cash bind of $800,000 increase in inventory Part Norco – taking few discounts – cash out flow at M.C. – lengthening payables endanger credit rating

990,000 – Debt to Franklin Nat'l Bank – by verbal agreement due in 6 mths.

$2,090,000 Cash needs Late '69 and 1970

r. 1a

DX-I Δ's I063

WHITTAKER
CONTROLS AND GUIDANCE

16217 LINDBERGH STREET, VAN NUYS, CALIFORNIA • TRIANGLE 3-1350
CABLE ADDRESS: WHICONTRO

January 3, 1963

Mr. Jerry Bollo
Vice President
Standard Aircraft Equipment Company, Inc.
969 Stewart Avenue
Garden City, New York

Dear Jerry:

Based on your December 7, 1962, reply to referenced letter 1162-0032, I do not feel that we have a basis for arriving at a distributor agreement.

We are currently examining the possibility of how to improve our spares support by means other than a distributor arrangement. As soon as we arrive at any decisions on this matter, we will communicate with you directly.

I feel it is necessary for us to review as well our present agreement with you in considering how we should proceed from this point. This is not a notice to terminate the distributor agreement that we now have, but I want you to recognize that we are at least considering this possibility.

Very truly yours

DKimball

D. T. Kimball
Vice President and
General Manager

DTK:ss

DIVISION OF
TELECOMPUTING CORPORATION

21.

DX-J 4; 8

TELECOMPUTING
CORPORATION

WHITTAKER
CONTROLS AND GUIDANCE

15217 LINDSERON STREET, VAN NUYS, CALIFORNIA • TRIANGLE 3-1950
CABLE ADDRESS: WHICONTRO

1064

January 25, 1963

Mr. Jerry Bollo, Vice President
Standard Aircraft Equipment Company, Inc.
969 Stewart Avenue
Garden City, New York

Dear Jerry:

After long and careful consideration of all aspects of distributor considerations, I have firmly decided that Whittaker Controls and Guidance will not enter into a distributorship agreement covering our commercial support items. The principal reason for this decision bears on the over-all production control requirements for our total business.

We have concluded we must maintain a substantial amount of inventory in order to protect schedule and price positions on prime contractor support. The added cost of expanding this inventory to cover commercial spares is not significant enough to be of major concern to ourselves. We have analyzed the savings to be realized in handling fewer orders by virtue of a distributorship agreement. Finally, we have solicited the various airlines to get an expression from them as to the desirability of dealing through a distributor.

All of the analyses add up to a conclusion that we are better advised to spend more money in-house to provide better service to the airlines than to go with a distributor. I have directed the organization to take steps in this direction.

Our present agreement calls for a non-exclusive distributorship covering end items. If Standard Aircraft wishes to continue this, we would be agreeable to working out terms and conditions around the new catalog prices that will be published shortly. Henceforth, we will not be extending a discount to Standard on the purchase of component parts.

DIVISION OF

It is recognized that you currently have some inventory of component parts purchased over the last year. We would endeavor to help you in the disposal of this stock by referring spares requests to you until such time as your inventory is depleted. Alternatively, we might consider buying back your inventory at your acquisition cost if you would prefer.

I am sure that you will be disappointed with your decision because I recognize that this agreement would be an important one to Standard. Nevertheless, in the final analysis, it did not represent a good business decision for Whittaker Controls and Guidance. I have reviewed the matter thoroughly with divisional and corporate personnel, and find no disagreement with the conclusion.

Please indicate whether or not you wish to continue a non-exclusive distributorship covering end items for emergency support, or whether you feel it would be better to terminate our agreement in its entirety. We would also appreciate knowing your preference with regard to disposition of your inventory of component parts.

Very truly yours

WHITTAKER CONTROLS AND GUIDANCE
Division of Telecomputing Corporation

DTKimball

D. T. Kimball
Vice President and
General Manager

DTK:es

1066

CORPORATION

45

Δ's K

REPLY TO:
POST OFFICE BOX 3565
NORTH HOLLYWOOD, CALIFORNIA 91609

CONTROLS DIVISION
13035 SATICOY STREET
NORTH HOLLYWOOD, CALIFORNIA 91605
TELEPHONE: (213) 765-8160

DX-K

July 27, 1970

RECEIVED
JUL 30 1970
STANDARD [illegible]

Standard Aircraft Equipment
Company, Incorporated
969 Stewart Avenue
Garden City, New York

Subject: Distributorship Agreement dated April 3, 1967 between Whittaker Corporation and Standard Aircraft Equipment Company Incorporated

Gentlemen:

Dynasciences Corporation ("Dynasciences"), a subsidiary of Whittaker Corporation ("Whittaker"), and successor in interest to the Technical Products Division of Whittaker by virtue of a General Assignment, Bill of Sale and Assumption Agreement between Whittaker and Dynasciences dated July 1, 1969, hereby gives Standard Aircraft Equipment Company Incorporated ("Standard") notice of termination of the Distributorship Agreement above referred to as of February 1, 1971, pursuant to Section 12(b) of said Agreement.

Dynasciences elects to give notice of termination in accordance with Section 13(c) of said Distributorship Agreement so that it shall have the right and option, but not the obligation, to repurchase from Standard any part or all of the Products in Standard's inventory acquired by Standard from Whittaker under the provision of said Distributorship Agreement, except for Products committed to fill particular Purchase Orders accepted by Standard prior to the effective date of termination.

We would appreciate receiving a detailed list of your inventory so that we can review and advise which, if any, items we might repurchase.

Yours very truly,

DYNASCIENCES CORPORATION
Controls Division

Robert L. Veloz
General Manager

RLV:ww

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1067

STANDARD AIRCRAFT EQUIPMENT COMPANY
INCORPORATED
969 STEWART AVE., GARDEN CITY, NEW YORK 11530
Pioneer Distributors of Aviation's Leading Lines
TELEPHONE 516 PI 7-8787

October 9, 1970

DEFT
EXHIBIT I
D
11/14/77 W.

Dynasciences Corporation
Controls Division
A Subsidiary of Whittaker Corp.
13035 Saticoy Street
North Hollywood, California 91605

Attention: Robert L. Veloz
General Manager

Subject: Distributorship Agreement dated April 3, 1967 between Whittaker Corporation and Standard Aircraft Equipment Company Incorporated

Gentlemen:

Your July 27, 1970 letter gave us notice of termination effective February 1, 1970 pursuant to Section 12 (b) and by your election notice of termination in accord with Section 13 (c).

As a result of our September 24 meeting at your facility, it was agreed that Standard Aircraft would be permitted to purchase from February 1, 1971 through December 31, 1971 at the then current published prices less 10%.

Will you please sign and return the duplicate copy of this letter.

Thank you for your cooperation and please be assured of our full cooperation.

Very truly yours,

STANDARD AIRCRAFT EQUIPMENT CO., INC.

Jerry Bello
Senior Vice President

JJB:ds

ACCEPTED: ____________________ DATE: ____________________

Robert L. Veloz
General Manager
Dynasciences Corporation
Controls Division

DX-M

Δ; m

1068

MINUTES OF DIRECTORS MEETING

May 9, 1969

The Directors Meeting, held at the main office of Standard Aircraft Equipment Co., Inc., 969 Stewart Avenue, Garden City, New York, was called to order at approximately 3:15 P.M.

The following Directors were in attendance:

Louis J. Bollo	J. E. Ruchia
Jerry Bollo	O. T. Leach
Paul L. Bollo	Wm. B. Lewis, Jr.

The Chairman determined that a quorum was present and that the meeting was competent to transact business.

The Chairman then introduced Mr. Putnam McDowell, President of First Grant Corporation, representative of the Company's second largest stockholder, who was invited to attend the meeting as an observer.

The minutes of the previous Directors Meeting (7-23-68) were read, a motion was made to accept them as read, this was seconded and approved.

A discussion on our San Francisco branch was started and the Directors were informed regarding its progress and all questions were answered.

Next a discussion of the Company's Kansas City branch took place and the Directors were advised regarding it and the reasons for the slowness in getting this branch started.

The Annual Report was discussed and Directors' questions were answered and Mr. Bollo elaborated regarding his statement on strengthening all branches.

Mr. McDowell was then asked to give his opinion as to the [illegible] which the CAB and SEC would require to [illegible] of First Grant Corporation concerning the acquisition by First Grant Corporation of approximately 60% of Standard Aircraft Equipment Co., Inc. stock.

Mr. McDowell stated that CAB would rule within three weeks, after which SEC would start to process their application. He could not give an exact time limit for SEC, but felt that they would only start after CAB had ruled.

(continued)

BEST COPY AVAILABLE

There being no further business, the meeting was adjourned.

Secretary

May 9, 1969

1070

Deft J

DD
12/14/73 W. C.

DX-N

Aerospace-Electronics Company

Bendix Center
Southfield, Michigan 48075

An Operating Group of
The Bendix Corporation

L B Young
Vice President
Marketing

September 1, 1970

Mr. L. J. Bollo, President
Standard Aircraft Equipment Co., Inc.
696 Stewart Avenue
Garden City, Long Island, N.W. 11530

Dear Mr. Bollo:

This is to advise you that Bendix intends to handle its air-transport support sales solely on a direct basis rather than partially through domestic stocking distributors.

Attached are revised products/discount schedules which are a part of our distributor agreement, and are effective immediately in accordance with paragraphs 3 and 23 of that agreement. These revisions delete most product lines manufactured for transport category aircraft. Schedules for the Navigation and Control Division and the Electrodynamics Division are deleted in their entirety. In cases where products have significant general-aviation applications as well as airline usage, it is our desire you continue to handle these along with other general-aviation products.

Although this change is effective immediately, we feel it will be desirable to provide for a period of transition. Accordingly, until 1 October 1970 we will continue to accept orders which in the aggregate do not exceed your average monthly consumption over the past six months.

Questions peculiar to the product lines of individual divisions should be referred to them; matters concerning our overall aerospace support policies or our distributor agreement should be referred to Mr. J. D. Gibboney or myself.

Sincerely,

LBY/sdt
Attachment

DX-P

The following are the facts we want to establish through testimony:

1. The nature and operations of Standard Aircraft Equipment, Inc. ("Standard").

Standard is essentially a middleman, buying aircraft parts from manufacturers and selling them to airlines and other owners of airplanes. Standard is rarely (perhaps never) the only source for a particular part because the customer can usually go directly to the manufacturer for the part. Standard's business and profitability is thus dependent upon the willingness of the manufacturer to sell its parts to Standard at a lower price than it sells the parts to the airlines. The difference between Standard's price to the airlines and the cost of buying the product from the manufacturer is the "sales margin" and is directly proportional to the size of the discount. From the cumulative sales margins on all parts Standard sells, Standard gets the money to pay its expenses (other than cost of sales) such as salaries, rent, etc. A manufacturer that extends Standard a discount does so in return for Standard providing to the manufacturer the service of distributing its products. If a manufacturer did not provide such a discount, it would have to establish and maintain its own distribution system. To improve its operations and better compete with other distributors, Standard established a number of branches in other cities. Much of Standard's business consisted of stockpiling inventory so that it could be readily furnished to a customer. When a customer placed an order, Standard would fill and deliver the order as promptly as possible.

2. The role of Louis J. Bollo ("LJB") in the operations of Standard.

LJB founded Standard in 1933 and was its chief executive officer from its founding through roughly one year after the closing of the sale to First Grant Corporation ("FGC") (October 1970). During that time he concerned himself with all but the most minor operations of the company. All mail arriving at Standard was opened and sent to his office for his perusal before distribution. It is fair to say that nothing of significance happened at Standard without LJB knowing about it. Any significant decision was made by him or subject to his approval. He was kept up to date on relationships with all suppliers.

3. The contract signed on December 20, 1968 (the "signing").

The contract required that FGC make a tender offer to the shareholders of Standard other than LJB for their shares at $16 a share. Pursuant to this tender offer, 71,309 shares were tendered and FGC paid $1,140,944 for them. The contract provided that FGC would purchase from LJB at $16 per share the difference between 354,960 shares (representing 80 percent of the outstanding shares of Standard) and the number of shares, held by FGC after buying the shares tendered by the other stockholders. Pursuant to this provision FGC paid $2,740,832 to LJB for 39 percent of the shares of the company. Another provision of the contract gave LJB the option of selling his remaining 77,101 shares of Standard to FGC at $12 per share or a multiple of the three prior years' earnings per share. Pursuant to this provision, FGC paid ~~Bello~~ LJB $948,504 on August 4, 1970. The contract also provided that LJB had given FGC copies of the financial statements of Standard and that the financial statements correctly represented the financial condition of Standard and that there had been no material adverse change in the financial condition or in the business or operations of Standard since December 31, 1967. The contract also required him to produce at the closing a letter reaffirming the warranties in the contract.

4. The sale was closed on September 18, 1969 (the "closing").

There was a delay of almost nine months between signing and closing, because of the necessity to get the approval of the contract from certain government agencies. At the closing, LJB produced a letter reaffirming that there had been no material adverse change in the financial condition of Standard since December, 1967 except for an investment in the expenses of a manufacturing operation in Kansas City. The letter also reaffirmed the warranties in the contract that attested to the accuracy of the financial statements.

Whittaker

5. The nature and extent of Standard's business with Whittaker prior to the signing.

Standard did a substantial business with Whittaker. Whittaker was a manufacturer of airplane parts, located in California. The gross sales (in thousands of dollars) of Whittaker products for Standard for the years 1965-68 and the percentage of total sales of Standard are as follows:

	Gross Sales	Whittaker Sales	%	Margin
1965	5889	1065	18.1	160
1966	6597	1139	17.3	171
1967	7782	1671	21.5	251
1968	9120	1455	16.0	218
Average 1965-67	-	-	19.0	194

Standard received a discount of 15% on all Whittaker products. Virtually all the Whittaker products sold during this period were parts for first-generation jet aircraft (707, 727, etc.).

6. The receipt of the "Whittaker Papers" prior to the signing.

The memo of January 6, 1967 was received within the next several months. It was forwarded from Fred Bohling, a Standard employee on the West Coast. LJB received and saw the memo in early 1967. The memo of July 8, 1967 was received from the same source also during 1967 and was also read by LJB at the time of receipt. These memos were the subject of discussion among the personnel at Standard.

7. The increased marketing by Whittaker through its own distribution division.

In 1966, Jerry Bollo learned from David Kimball at Whittaker that they were establishing their own division to distribute Whittaker parts. This division, it was understood, would be in competition with the distribution facilities of Standard. Over the next several years, Standard received reports of Whittaker personnel calling upon customers of Standard. LJB was aware of all of these things shortly after they happened. The establishing of this new division coupled with disclosures contained in the "Whittaker Papers" yielded the general opinion at Standard in 1967 and 1968 that the Whittaker business would tail off.

8. Communications with Whittaker in the interim period (December 20, 1968 to September 19, 1969).

Jerry Bollo and Ernie Rushia visited Whittaker in January of 1969. While there, they participated in a number of discussions with officers of Whittaker. They were told that Whittaker would handle all sales for second-generation jet aircraft (747, DC-10, etc.) on a direct basis rather than through Standard. This information was imparted to LJB in a memo of Jerry Bollo dated January 28, 1969. On February 6, 1969 Standard received a telex from Whittaker giving official notification of the 747 cutoff on all initial provisioning. It was understood by all concerned that the policy in this telex would apply to spare parts as well.

9. The significance of the communications with Whittaker on the (a) business expectations, (b) value of Standard and its stock as of the relevant dates.

As Whittaker provided roughly 19% of all Standard sales, the prospect of losing their business would mean a drop off in Standard's before-tax profits of $190,000 per year. In addition, substantial quantities of Whittaker inventory may become deadstock because customers will no longer go to Standard for Whittaker parts. Even absent a complete cutoff, the prospect of no second-generation business would mean an eventual tailing off of the Whittaker business and corresponding profits. Losing such a large supplier would jeopardize Standard's position as a growth company. All things considered, the significance of these events would have decreased the value of a Standard share in September, 1969 from $16 to $.

10. LJB understood the significance of these communications and events when they happened.

11. The nature and extent of the business with Bendix Divisions prior to April, 1968: Navigation and Control.

Standard did a substantial business with Bendix Navigation & Control (N&C), a manufacturer of airplane parts. The gross sales (in thousands of dollars) of N&C products for Standard for the years 1965-68 and the percentage of total sales of Standard are as follows:

	Total Sales	N&C Sales	%	Margin
1965	5889	501	8.5	106
1966	6597	600	9.1	127
1967	7782	949	12.2	177
1968	9120	1692	18.6	-
1965-67 average	-	-	10.0	137

The discount rate for N&C products varied with the product but the most common discount rate prior to April, 1968 was 16 2/3%.

12. The Bendix letter in April, 1968 reducing the discount rate on N&C commercial end items.

In April, 1968 LJB received from Bendix N&C a letter reducing the discount on commercial end items to a nominal level. This letter effectively eliminated any profits on these items. Bendix gave no indication that this reduction was anything but permanent. Prior to April, 1968, commercial end items represented % of N&C business.

13. Letter from Bendix N&C on April 11, 1969 concerning the 747 business.

On April 11, 1969 Bendix sent LJB a letter officially notifying him that there would be no second-generation business from N&C.

14. Bendix Energy Controls.

Standard did a substantial business with Bendix Energy Controls. Bendix E.C. was a manufacturer of airplane parts. The gross sales of E.C. products for Standard for the years 1965-68 and the percentage of total sales of Standard are as follows:

	Total Sales	EC Sales	%	Margin
1965	5889	1197	20.3	294
1966	6597	1416	21.5	309
1967	7782	1308	16.8	295
1968	9120	1769	19.4	-
Average 1965-67	-	-	19.5	299

The discount rate for E.C. products varied with the product but the most common discount rate prior to October 1968 was 27%.

15. The Bendix letter in October 1968 reducing the discount rate on E.C. rotors, stators and linings.

On October 30, 1968, Bendix sent LJB a letter reducing the discount on rotors, stators and linings from 27% to 16%. Rotors, stators and linings constituted 85% of the sales of E.C. products through Standard. This change in discount rate substantially reduced the profits to Standard on the sales of this Division. Bendix gave no indication that this reduction was anything but permanent.

16. The significance of these Bendix communications on the business expectations of Standard and the value of Standard and its stock on the relevant dates.

As Bendix N.C. and E.C. provided roughly 30% of all Standard sales the prospect of losing the profitability on the sales would mean a drop off in Standard's before-tax profits of more than $100,000 per year. The prospect of no second generation business would mean an eventual tailing off of Bendix' business and corresponding profits. Losing the business of such large suppliers would jeopardize Standard's position as a growth company. All things considered, the significance of these events would have decreased the value of a Standard share in September 1969 from $16 to $.

17. The amount of inventory is a large segment of the assets (and thus the value) of Standard.

The following table illustrates for the years 1965-68 the amounts of inventory (in thousands of dollars) as a major asset of Standard:

	Total Assets	Value of Inventory	Percent
1965	2742	1630	59
1966	3389	2182	64
1967	4810	2689	56
1968	5106	3392	66

18. The necessity of writing off deadstock in order that the value of inventory on the books be accurate.

Accepted standards and practices in the accounting profession require inventory to be valued in the books and records of a company at the lower of stock or market value. If certain items of inventory become unsalable, either because they are obsolete or the quantities in stock exceed the reasonable expectation of sales, then the market value of those items must be adjusted downward. Otherwise, the statement of assets will reflect a value that the company cannot receive. In a business such as this, it is essential to accurate valuation that deadstock be frequently written off because inventory is such a large percentage of the assets.

19. The valuation of inventory at Standard as represented to FGC was exaggerated because sufficient amounts of deadstock were not written off.

As of December 31, 1968, items of inventory carried on the books at more than $251,000 were in categories from which no items had been sold for over two years. The practice in the industry was to write off such deadstock within two years or less of the last purchase. As of December 31, 1969 the figure had increased to $377,000.

20. The write-off method used would not and did not result in sufficient write-offs.

During the years 1962-69, Standard had only four write-offs. The total amount written off as deadstock was $136,985. This was only 27% of the total amount which would have been written off using a 2-year rule on all of the inventory. The write-off method used was as follows: LJB would determine a figure and would then instruct Rushia to go to the inventory records and write-off items of Rushia's choosing until he reached that predetermined figure. At that point there would be no more write-offs until the next annual write-off, if any.

21. The method used was not in accordance with generally accepted accounting principles and practices.

The method described by Rushia was not in accordance with generally accepted accounting principles and practices because it does not cover the entire inventory in stock and the amount predetermined is not necessarily related to and will generally be less than the actual amount of deadstock.

22. The negotiations leading up to the contract were conducted between LJB and others but principally R.M. Johnston.

Johnston met with LJB to discuss a possible purchase of the majority of Standard shares on September 25, 1968 and again on October 23, 1968. The final negotiations were held on October 23, 1968 with LJB and Johnston and Hillman and Orin Leach.

23. LJB did not disclose to Johnston or anyone else from FGC (a) the Whittaker Papers; (b) the April and October 1968 Bendix discount reductions; or (c) the overvaluation of inventory.

In the negotiations Bollo emphasized that Whittaker was Standard's largest supplier and that Bendix N.C. and E.C. Division were very large suppliers. He represented that they would continue to be suppliers of Standard. There was no discussion of Standard's inventory write-off practices and LJB gave no indication that there was anything wrong with the inventory figures in the financial statements. He did not let on that the Whittaker account was in jeopardy, nor that the Bendix accounts were becoming less profitable.

24. During the interim period, LJB did not disclose to anyone from FGC (a) the communications with Whittaker; (b) the communications with Bendix; and (c) the overvaluation of inventory.

During this period, Bollo did not discuss Whittaker or Bendix with FGC except to tell them of new orders and good prospects of more business on the second-generation aircraft. At a meeting in Pittsburgh on May 9, 1969, either LJB or someone in his presence indicated that Standard was in an excellent position with Whittaker and Bendix on the 747's. At no time during this period did LJB indicate that there was anything wrong with the inventory figures on the financial statements.

25. During the interim period, LJB represented to Rod Bonar that Standard had adequate provisions for writing off deadstock.

On July 16, 1969, Rod Bonar went to Standard for the purpose of analyzing and writing a report on the company. While there, he asked LJB about write-off procedures and was told that Standard used a 2-year rule.

26. LJB realized the significance of the facts he was not disclosing to FGC.

From his wide experience in the industry and as President of Standard, LJB must have known the significance of the reduction in discount rates, the shut-off of 747 business and the extent of deadstock on the books. (He has already admitted much of this in his deposition.)

27. LJB realized the significance of the misrepresentation he made to Bonar.

LJB, given his experience and intelligence, must have realized the significance of telling Bonar that Standard had adequate provisions for writing off deadstock. A contrary statement would have made questionable the accuracy of the financial statements and may have caused a reexamination of the contract.

28. If LJB had disclosed the facts relating to Bendix, Whittaker and the inventory overvaluation, then FGC would either (a) not have offered to buy Standard at any price; or (b) would have been willing to pay only $ per share.

29. If FGC had learned of these facts during the interim period, they would have cancelled the agreement and either (a) refused to buy the stock at any price; or (b) offered to buy the stock at only $ per share.

DX-Q

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DPET
EXHIBIT K
W.B.

Factors for consideration -

1- Whitaker Sales Eliminated - 1,455,000 in 1968
2- Bendix NC Sales Eliminated
(Because of Insufficient Profit) 1,692,000 in 1968
Total 3,147,000 34.5% of 1968 Total Sales.

3- Bendix E.C. Gross Profit
Reduced From 27% to 16% --

		85% @ 16% 15% @ 27%
Sales in 1968	1,769,000	↓
G.P. @ 27%	477,630	
G.P. @ 16%	283,040	312,223 17.6
Total Reduction	194,590	165,407 Net

4- Bendix NC Decision to sell direct to Airlines on all 2nd generation Jet Aircraft Equipment & Parts.

5- Factors 1-2-& 3 represent a serious loss in Business (34.5%) of 1968 Sales. AND - a serious reduction in Gross Profit on a major Product Line - 27.0% to 17.6% (34.8)
16.0 Reduction.

6- Factor 4 represents a drastic effect on future sales

7- Bendix Decision - Seriously affected ~~[illegible]~~ future growth possibilities. For all Distributors selling to the Airlines
The Bendix Line was THE major Sales producers in the Airline Field.

8- Factors 1 & 2 created a serious and costly Inventory Disposal problem

9- Due to LSB method of writing off Inventory - The Value of Standard's Inventory would be Doubtful.

$136,985 OF INVENTORY WAS WRITTEN OFF IN THE 1962-69 PERIOD.
THAT IS LESS THAN 1% OF THE AVERAG INVENTORY REPORTED BY STANDARD FOR THOSE YEARS.

THE REPORTED INVENTORY WRITEOFF POLICY - 100% WRITEOFF IF NO SALES IN TWO YEARS - is very liberal, AS IT DOES NOT ALLOW FOR EXCESS inventory devaluation AND/OR WRITEOFF.

HAD THIS POLICY BEEN APPLIED, STANDARD WOULD HAVE WRITTEN OFF $506,000 OF INVENTORY During THE 1962 thru 1969 period.

BASED upon THE ABOVE FACTORS - My EXPERIENCE WOULD INDICATE AN OFFER OF.

THE NET WORTH OF STANDARD AIRCRAFT AS OF Dec. 31, 1968 AS REPORTED	$2,643,958
Adjusted FOR A REDUCTION OF INVENTORY VALUE EQUAL TO THE AMOUNT THAT WOULD HAVE BEEN WRITTEN OFF, ACCORDING TO THE 2 year FORMULA ($506,000 - $136,985 = $369,015)	369,015
	$2,274,943

2,274,943 ÷ 443,700 SHS = $5.1272 per SHARE

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[illegible]

[illegible]

	64		65		66		67		68	
Sales	3,900,900	%	5,555,400		6,[illegible]		7,282,400		9,121,000	
G.P.	895,100	23	1,151,900	20	1,410,[illegible]	21.3	1,743,500	22.5	2,036,700	22.5
Expses	737,900	18.9	815,100	13.8	[illegible]	14.0	1,164,900	15.0	1,547,200	
Op. Prof.	164,700	4.2	335,[illegible]	6.4	485,700	7.4	589,600	7.5	495,500	
BIT	163,500	4.2	363,900	6.2	451,100	6.8	558,400	7.1	495,500	5.4
Tax	65,400		162,300		199,00		255,200		231,400	
Net	98,100	2.5	201,600	3.4	252,100	3.8	303,200	3.9	264,100	2.9
Sales Incr.			1,992,500	50.7%	707,900	12%	1,185,200	17.9%	1,338,600	17.2
Profit Incr.			103,500	105.5%	50,500	25%	51,100	20.2%	(39,100)	(12.9

	69	69		
Sales	[illegible]	9,278,966	+ 157,000	1.7%
GP	[illegible]	1,924,454		
Expses		1,705,262		
Op. Pr.		219,222		
Net B/T		70,995		
Tax		40,841		
Net		30,154	(233,946)	(1,142%)

[illegible] to [illegible] per year.

Inventory		1%	2%	3% ←	→ 4%
1962	932,403	9324.	18 648	27.972	37.296
1963	1.165.785	11 658	23 316	34.974	46.632
1964	1. 301. 752	13 018	26036	39.054	52.072
1965	1,615,380	16.154	32308	48.462	64.616
1966	2. 181, 782	21 818	43636	65.454	87.272
1967	2.689, 172	26 892	53.784	80.676	107.568
1968	3. 392.076.	33921	67.842	101.763	135.684
		132,785	265,570	398,355	531,140

Pro forma P&L — Breakdown Allowing for

1 - Loss of Wholesale Sales 1,455,000 (16%)
2 - " " Benelux EEC 1,692,000 (18.6).
Total 3,147,000 (34.6%)

Loss of Gross Profit on Benelux EC Sales.
Sales 1,769,000 @ 27% G.P. = 477,630
1,769,000 @ 16% " = 283,040.
Total Reduction = 194,590 =

Sales - 6,000,000 -
G.P. - 1,143,410 - 19%.
Oper. Exps 1,056,000 17.6 (at 1968 Rate).
Oper. Prof. 87,410
[illegible]
Taxes

1091 DX- R (ID ONLY)

[illegible]

Consolidated Balance S

ASSETS	1971	1970
CURRENT ASSETS		
Cash	$ 431,710	$ 568,788
Short-term commercial paper, at cost, which approximates market	992,767	—
Receivables, less reserves of $257,000 in 1971 and $231,000 in 1970	5,357,734	5,618,735
Inventories, at lower of latest invoice cost or market	5,144,426	7,147,213
Prepaid expenses	54,599	78,502
Total current assets	$11,981,236	$13,413,238
PROPERTY AND EQUIPMENT, at cost		
Buildings	$ 371,273	$ 366,675
Leasehold improvements (annual rental payments approximate $323,000, leases expire to 2007)	349,636	247,62
Airplanes	946,900	1,114,59
Furniture and fixtures	458,391	462,483
Automobiles and other equipment	318,279	319,141
Reserves for depreciation and amortization	(990,834)	(940,84
Total property and equipment	$ 1,453,645	$1,569,68
OTHER ASSETS, less related amortization:		
Equity and loans — 50% owned overseas operations	$ 754,286	$ 693,58
Non current portion of contracts receivable	622,000	689,19
Long-term debt expense, etc.	167,144	233,89
Total other assets	$ 1,543,430	$ 1,616,67
	$14,978,311	$16,599,590

[illegible]

(1) Principles of Consolidation

The consolidated financial statements include the accounts and operations of the Company and all wholly owned subsidiaries. All [illegible] have been eliminated in consolidation. [illegible] ments in 50% owned overseas operations are [illegible]

During the year the assets and business of [illegible] ary, were sold for cash plus future [illegible]

(2) Changes in Capitalization

[illegible]

15,000 shares at $7.00. The par value of the [illegible]

[illegible] and the remaining $740,000 of the proceeds is reflected in Paid in Surplus.

(3) Common Stock Reserved —

The Company has reserved 20,000 shares of common stock for warrants granted to Prudential Insurance Company in 1971, which are exercisable at [illegible] per share on or before Jan. 1, 1980.

The Company's Qualified Stock Option Plan for officers (other than the Chairman and Vice Chairman) and key employees provides for stock options on 32,000 shares of common stock. The [illegible] until May 5, 1976.

[illegible] the market price of the common stock on the [illegible] under the plan.

[illegible] debentures are convertible [illegible] prior to November 1, [illegible] Plan

The Company has a non-contributory pension plan covering substantially all employees. The total cost of the plan was $81,400 in 1971 and $74,100 in 1970. The Company's policy is to fund pension cost accrued. Pension fund assets exceed the actuarially computed value of vested benefits.

(5) Earnings Per Share —

Primary earnings per share have been computed based on the weighted average number of shares of common stock outstanding during each year including common stock equivalents consisting of warrants and options where the effect is dilutive.

[illegible] per share give effect to the reduction in primary earnings per share as [illegible] would result from [illegible] convertible debentures after [illegible] interest expense net of applicable income taxes.

(6) Pending Litigation —

[illegible] subsidiary has been named a defendant in a lawsuit seeking damages of [illegible] purport [illegible] Management and

BEST COPY AVAILABLE

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D SUBSIDIARIES

rch 31, 1971 and 1970

[illegible]IVE[illegible]
JUN 7 1971
399 PARK AVENUE

LIABILITIES	1971	1970
CURRENT LIABILITIES:		
Notes payable to banks	$ --	$ 950,000
Current maturities of long-term debt	107,870	450,000
Accounts payable to suppliers	1,325,076	1,792,950
Compensation, taxes and other accrued expenses	437,166	367,191
Federal and State income taxes	86,303	98,774
Total current liabilities	$ 1,956,415	$ 3,658,915
LONG-TERM DEBT, less current maturities above:		
7.75% loan with Prudential Insurance Company, due $350,000 annually from 1974 to 1985 and $550,000 in 1986	$ 4,750,000	$ 4,750,000
Note payable to Northwestern National Bank, interest variable at 1% over prime, due in 1973	350,000	700,000
6.5% loan with Business Capital Corporation, due $100,000 annually to 1975, subordinated to above loans	300,000	400,000
6.5% convertible subordinated debentures, due $125,000 to $200,000 annually from 1978 to 1987	1,601,000	1,601,000
Other	33,438	—
Total long-term debt	$ 7,034,438	$ 7,451,000
CONTINGENT LIABILITIES (Note 6)		
STOCKHOLDERS' INVESTMENT (Notes 2, 3 & 7):		
Preferred stock, $100 par, 15,000 shares authorized, none issued	$ —	$ —
Common stock, $1 par, 1,750,000 shares authorized, 809,727 shares issued and outstanding in 1971	809,727	764,727
Paid-in surplus	1,901,946	1,661,946
Earnings reinvested in the business	3,275,785	3,063,002
Total stockholders' investment	$ 5,987,458	$ 5,489,675
	$14,978,311	$16,599,590

Counsel believe this action can be resolved with no material adverse effect on the accompanying financial statements.

In addition, a vendor has recently filed an action seeking $339,000 in damages arising from a stop payment order on a check. It is believed that the Company has adequate defenses and a motion to dismiss this action on [illegible] is currently pending.

(7) Restricted Earnings

Under terms of long-term debt agreements, $1,1[illegible] [illegible] standing stock, and working capital must [illegible]

(8) Additional Financing Arranged

Arrangements were [illegible] Insurance Company in March 1971 for [illegible] terms generally comparable [illegible] ings. The funds will be [illegible] D[illegible] 31, 1971 [illegible] the operations of the Company's [illegible] subsidiary.

AUDITORS' REPORT

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS OF VAN DUSEN AIR INCORPORATED:

We have examined the consolidated balance [illegible] VAN DUSEN AIR INCORPORATED (a Minnesota corporation) AND SUBSIDIARIES [illegible] in the [illegible] and changes in financial position [illegible] such tests of the accounting records and such [illegible] as we considered necessary [illegible] examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying consolidated financial statements referred to above present fairly the financial position of Van Dusen Air Incorporated and Subsidiaries as of March 31, 1971, and the results of their operations and the changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Minneapolis, Minnesota,
May 7, 1971.

VAN DUSEN AIR INCORPORATED

TEN YEAR SUMMARY OF OPERATING AND FINANCIAL HIGHLIGHTS

(Dollar amounts in thousands, except per share data)

	Years Ended March 31									
	1971	1970	1969	1968	1967	1966	1965	1964	1963	196
OPERATING RESULTS										
Sales and Other Income	$29,241	32,909	29,444	28,608	25,395	19,575	17,106	16,621	9,917	6,6
Profit Before Income Taxes	$ 1,024	1,000	1,463	1,444	1,304	1,014	717	550	278	1
Net Profit	$ 519	450	776	764	684	543	401	332	157	1
Net Profit—% of Income	1.8%	1.4	2.6	2.7	2.7	2.8	2.4	2.0	1.6	1
FINANCIAL POSITION										
Working Capital	$10,025	9,754	7,689	8,210	7,502	4,449	4,654	4,676	4,634	2,
Current Ratio	6.1	3.7	2.7	3.7	3.5	2.5	3.3	3.4	3.0	
Total Assets	$14,978	16,599	14,573	12,862	12,423	8,758	7,401	7,293	7,769	3,
Long-term Loans	$ 5,433	5,850	3,100	3,380	3,650	2,662	2,178	2,328	2,428	1,
Convertible Debentures	$ 1,601	1,601	1,601	1,733	1,925	—	—	—	—	
Preferred Stock Outstanding	$ —	—	—	—	—	—	775	901	1,151	
COMMON STOCKHOLDER DATA										
Stockholders' Investment (2)	$ 5,987	5,489	5,341	4,735	3,815	3,156	2,425	2,086	1,835	1
Number of Shares in thousands (2)	810	764	764	754	693	656	579	570	552	
Number of Stockholders	2,342	2,259	2,369	2,497	1,093	1,001	865	780	748	
Per Share—										
Primary Earnings (3)	$ 67	.57	.98	1.00	1.00	.84	.61	.50	.28	
Fully Diluted Earnings (4)	$ 63	.55	.89	.90	.95	—	—	—	—	
Dividends Paid	$ 40	.40	.40	.40	.38	.32	.08	—	—	
Book Value (2)	$ 7.39	7.18	6.99	6.28	5.50	4.81	4.19	3.66	3.32	
Return on Investment (5)	8.0%	7.1	12.7	14.0	20.0	19.0	16.2	14.6	8.9	
OTHER										
Operating Locations	39	39	38	32	28	25	21	21	19	
Employees	391	423	452	419	380	296	261	262	274	

NOTES:

(1) The [illegible] above reflect the acquisition of Air [illegible] January [illegible]

(2) Does not reflect conversion of outstanding convertible debentures into common stock at $12.50 per share or exercise of [illegible] options.

(3) Computed on a weighted monthly average of common stock [illegible] accordance with Note 5 to the Financial Statements. Previously reported primary earnings have been re [illegible]

(4) Reflects the reduction in primary earnings per sh defined in Note 3 above, which would result from con of the convertible debentures after eliminating the [illegible] of applicable income taxes.

(5) Computed on a weighted monthly average basis givin [illegible] assuming [illegible] sion of the convertible debentures.

BOARD OF DIRECTORS

G. B. Van Dusen, Chairman of the Board
Van Dusen Air, Incorporated

William M. Baker, Chairman of the Board
Baker Properties Management Company
President of IDS Properties, Inc.

William L. Carolla, President
Van Dusen Air, Incorporated

George V. Doerr, Jr., Vice President of McKesson &
Robbins Drug Company, a division
of Foremost-McKesson, Inc.

George R. Galipeau, Vice Chairman
and Chief Executive Officer
Van Dusen Air, Incorporated

Edgar S. Meredith, Senior Vice President, Business Capital Corp.

W. O. Patterson, Consultant to Patterson Dental Co.

OFFICERS

G. B. Van Dusen, Chairman of the Board
George R. Galipeau, Vice Chairman and Chief Executive Officer
William L. Carolla, President
George B. Torrey, Vice President Finance
Paul G. Bingaman, Vice President
Allan O. Johnson, Controller
J. Kenneth Nelson, Treasurer
Matthew J. Levitt, Secretary
Jerry F. Rotman, Assistant Secretary

AUDITORS

Arthur Andersen & Co.

GENERAL COUNSEL

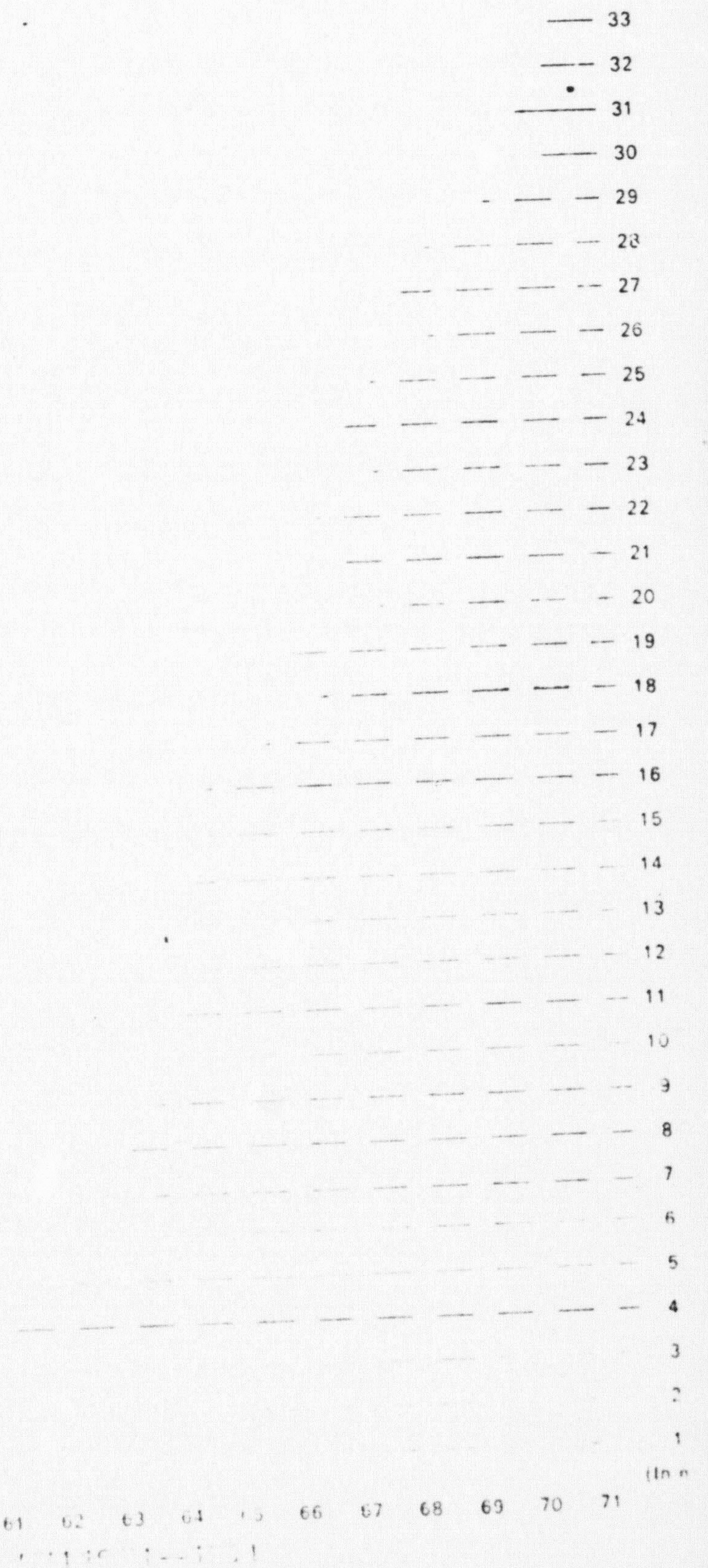
Levitt, Palmer, Bowen, Bearmon & Rotman

TRANSFER AGENT AND REGISTRAR

Northwestern National Bank of Minneapolis

HOME OFFICE

2801 East 78th Street
Minneapolis, Minnesota 55420
Area Code 612 — 866-6776



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BRANCH OFFICES

ANCHORAGE, ALASKA
ATLANTA, GEORGIA
BOSTON, MASSACHUSETTS
CHICAGO, ILLINOIS
DALLAS, TEXAS
DAYTON, OHIO
DETROIT, MICHIGAN
HARRISBURG, PENNSYLVANIA
HOUSTON, TEXAS
KANSAS CITY, MISSOURI
MIAMI, FLORIDA
MINNEAPOLIS, MINNESOTA
PHOENIX, ARIZONA
RICHMOND, VIRGINIA
ST. LOUIS, MISSOURI
SAN FRANCISCO, CALIFORNIA
SEATTLE, WASHINGTON
TETERBORO, NEW JERSEY
TULSA, OKLAHOMA
VAN NUYS, CALIFORNIA
WICHITA, KANSAS

INTERNATIONAL OFFICES

JOHANNESBURG, SOUTH AFRICA
LIMA, PERU
MELBOURNE, AUSTRALIA
MEXICO CITY, MEXICO
OXFORD, ENGLAND
PARIS, FRANCE
SAO PAULO, BRAZIL

SERVING THE AIRCRAFT INDUSTRY THE WORLD OVER!

INCORPORATED

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DEFENDANT'S EXHIBIT 9 Ha
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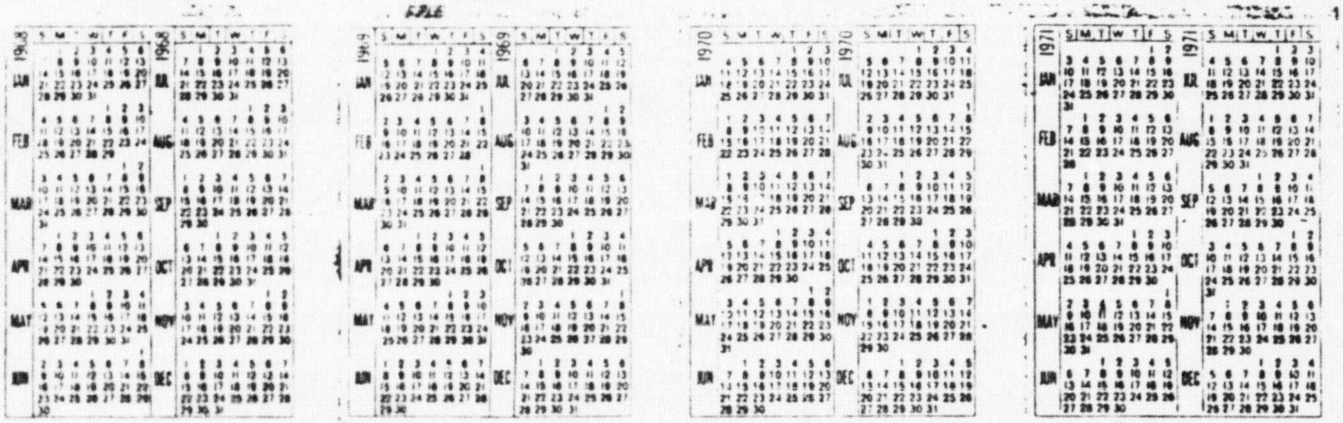
D X-S

1968 1969 1970 1971



STANDARD AIRCRAFT EQUIPMENT COMPANY

INCORPORATED

969 STEWART AVE., GARDEN CITY, NEW YORK 11530
TELEPHONE 516 PI 7-8787

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  - Navigation & Control Division (Eclipse-Pioneer)
- CASTROL
- CHAMPION SPARK PLUG
- CO-OPERATIVE INDUSTRIES
- DELCO REMY
- DOW CORNING
- DYMO INDUSTRIES
- EISEMANN MAGNETOS
- ELTRA CORP.
- EXIDE
- FLIGHTEX FABRICS
- GENERAL ELECTRIC LAMP DIVISION
- GOODYEAR TIRE & RUBBER CO.
- HOFFMAN-TAFF
- HOLLINGSHEAD CORP.
- JOHNS-MANVILLE
- KETT AVIONICS
- KLIXON
- LEECE NEVILLE
- LEWIS
- LONGINES-WITTNAUER
- LP AIRCRAFT PLASTICS
- MACWHYTE
- MALLORY BATTERY
- NATIONAL STANDARD
- PESCO PRODUCTS
- PRESTOLITE CABLE
- H. K. PORTER THERMOID DIVISION
- RANDOLPH PAINTS
- REBAT
- SCOTT AVIATION
- S. F. E. N. A.
- SONOTONE
- STEWART WARNER
- STILLMAN RUBBER
- TEMPO PRODUCTS
- TEXAS INSTRUMENTS METALS & CONTROLS DIV.
- THOMAS & BETTS
- WEATHERHEAD
- WHITTAKER CORPORATION TECHNICAL PRODUCTS DIVISION
- WINSLOW
- ZEP AERO
- ZYGLO PRODUCTS

STANDARD AIRCRAFT EQUIPMENT CO., INC.
969 Stewart Avenue
Garden City, N. Y. 11530
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Telex 12-5564

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Telex: 54-2566

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Telex 23-5555

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Tel. 913-287-2100

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Los Angeles, Calif. 90025
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TWX 910-342-6896
Telex 67-4066

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Miami, Fla. 33166
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Burlingame, Calif. 94010
Tel. 415-697-0693

Washington
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Alexandria, Va. 22314
Tel. 703-549-6206
Telex: 89-2319

Connector Division—
6320 Kansas Ave.
Kansas City, Kans. 66111
Tel. 913-287-2100

OVERHAUL—

STANDAIR, INC.
250 Merritts Rd.
Farmingdale, N. Y. 11735
Tel. 516-694-5070

DX-T 1097

OFFERING CIRCULAR

Standard Aircraft Equipment Co., Inc.

75,000 Shares

Common Stock

Par Value $.50 Per Share

PRICE $4.00 PER SHARE

	Offering Price to Public	Underwriting Discount (1)	Proceeds to Company (2)
Per Share	$4.00	$.375	$3.625
Totals	$300,000	$28,125	$271,875

---

(1) In the Underwriting Agreement the Company has agreed to indemnify the Underwriter against certain civil liabilities, including liabilities under the Securities Act of 1933, and to pay certain expenses of the Underwriter not to exceed $2,500.

(2) Before deduction of expenses arising out of the offering and payable by the Company estimated at $8,000, including expenses of the Underwriter as set forth in note (1) above.

THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. THE COMMISSION DOES NOT PASS UPON THE MERITS OF ANY SECURITIES NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SELLING LITERATURE.

The stock is offered by the Underwriter specified within, subject to prior sale, when, as and if issued by the Company and accepted by the Underwriter, and such offer is likewise subject to withdrawal by the Underwriter without notice.

UNDERWRITER:

Adams & Peck

120 Broadway, New York 5, New York

The date of this offering circular is August 3, 1959.

No dealer, salesman or any other person has been authorized by the Company or by the Underwriter named herein to give any information or to make any representations, other than those contained in this Offering Circular, in connection with the offer contained herein, and if given or made, such information or representations must not be relied upon. This Offering Circular is not an offer by the Underwriter to sell the stock in any State to any person to whom it is unlawful for the Underwriter to make such offer in such State.

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THE COMPANY

Standard Aircraft Equipment Co., Inc. (the "Company") was incorporated under the laws of the State of New York on March 11, 1947 under the name of L. J. Bollo, Inc. It was formed to acquire the assets and good will of Standard Aircraft Equipment Co., a sole proprietorship owned by Louis J. Bollo and engaged in the sale and maintenance of aircraft instruments and accessories. By Certificate of Amendment filed on September 23rd, 1947 the name of the Company was changed to Standard Aircraft Equipment Co., Inc. The principal office of the Company is located at 241 Old Country Road, Mineola, Long Island, New York.

BUSINESS OF THE COMPANY

Present Business

The Company is engaged in the business of sales and service of aircraft instruments and accessories, including flight and engine control instruments, automatic pilot systems, fuel metering equipment, power supply generating equipment, and all components thereof. During the year 1958 sales accounted for approximately 75% of the Company's gross income; service accounted for the balance. The Company does no manufacturing in the normal course, although it has from time to time, on special order, manufactured and sold test equipment for the maintenance and repair of products sold by it. During 1958 gross income from manufacturing amounted to less than ½ of 1% of gross income.

Sales: The Company operates as an authorized distributor pursuant to distribution agreements on a non-exclusive basis with some eighteen major manufacturers of aircraft instruments and accessories including the Friez, Montrose, Pacific, Bendix Products, Utica, Pioneer Central, Eclipse-Pioneer and Redbank Divisions of Bendix Aviation Corporation; Goodyear Tire and Rubber Company; Electric Storage Battery Company; Packard Electric Division of General Motors Corporation; Weatherhead Corporation; and Pesco Products Division of Borg-Warner Corporation. The sales territory varies with each distribution agreement; the largest such territory includes the eight states of New York, New Jersey, Pennsylvania, Maryland, Delaware, Virginia, West Virginia and Kentucky and the District of Columbia.

Sales are made to large volume purchasers representing all segments of the aviation industry including the commercial airlines, such as Capital Airlines, Mohawk Airlines, Seaboard and Western Airlines, Allegheny Airlines and Capitol Airways; fixed base operators, such as Lockheed Aircraft Service International, Newark Air Service Incorporated, Reading Aviation Service, and Flight Enterprises; corporate fleets including those maintained by the General Electric Company, Raytheon Manufacturing Company, Curtiss-Wright Corporation, Westinghouse Electric Company and Continental Can Company; and to the Federal Government. Sales to this market are made both directly by the Company and indirectly through a network of some fifty-six dealers and service stations in the Company's territory under contract with the Company.

The products presently being sold by the Company are as follows:

AC and DC Power Supply Generating Equipment and Controls: Generators, Voltage Regulators, Control Panels, Fault Protection Panels and Circuit Breakers.

Flight and Engine Instruments: Oil and Fuel Pressure Indicators and Transmitters, Fuel Flow Transmitters and Indicators, Gyro Compass Systems, Vertical Gyro Indicators, Turn and Bank Indicators and Rate of Climb Indicators.

Automatic Pilots—Electronic: PB-10 PB10A Bendix Aviation.

Fuel Metering Equipment: Carburetors, Master Controls, Direct Injection Pumps and High Pressure Nozzles.

Landing Gear: Shock Struts, Wheels, Brakes, Tires and Tubes.

Oxygen Equipment: Oxygen Regulators and Emergency Kits.

De-Icing Equipment: Electronic Timers, Distributor Valves and Check Valves.

Pumps: Air Pumps, Fuel Pumps, Hydraulic Pumps and Booster Pumps.

Starting Equipment: Engine Starters (Jet and Piston) and Starter Relays.

Within the categories of products listed above, the Company sells complete systems, components of such systems, and repair and replacement parts.

Service. The service and repair division overhauls and maintains all of the various categories of equipment sold by the Company. This division is fully equipped to handle all required repairs and maintenance of these items. Work is done on a contractual or on an individual job basis.

All aircraft maintenance and repair agencies are supervised and classified by the Federal Aviation Administration (formerly Civil Aeronautics Administration) on the basis of available facilities, equipment and personnel. The instrument department of the Company's service and repair division is a certificated (Certificate 188) repair station for all instrument classes (pressure, gyroscopic, electrical and electronic) and for oxygen systems (regulators only). The accessories and fuel metering overhaul department is similarly certificated (Certificate 3969) for all accessories classes (electrical, mechanical and electronic).

Proposed Business

The Company intends to continue its present business and to expand it into new fields being opened up by the rapidly increasing use of turbine powered (jet) aircraft. The acceptance of the jet engine in commercial aircraft has opened an entirely new market for instruments and accessories designed to meet the unique control problems posed by the increased speeds and congested traffic conditions of jet flying. Navigational and fuel metering devices have been designed to make fully automatic many functions previously performed by the crew members.

The Company intends to take full advantage of this new market. For example, the Company will sell and service the "PB-20" Automatic Pilot and its companion systems, and the Polar Path Compass and Flight Director System, all developed by the Eclipse-Pioneer Division of Bendix Aviation Corporation. This automatic pilot is used as original equipment on several of the jet aircraft now in commercial production, including the Lockheed Electra, the Boeing 707 and the

Convair 880. In the fuel metering field, the fuel control system developed by the Bendix Products Division of the Bendix Aviation Corporation for use on jet aircraft will be sold and serviced by the Company.

The maintenance and overhaul of these newly developed and complicated instruments and control systems will represent a major potential source of additional business. The Company's emphasis in this field will be on flight control systems and fuel metering control systems. As this new market develops the Company will need additional working capital to meet its expanded operations and funds to acquire the equipment and tools required to service these newly designed instruments and accessories.

EARNINGS RECORD

The following is a tabulation of the earnings of the Company for the years 1951 through 1958 taken from the books of the Company:

	1951	1952	1953	1954	1955	1956	1957	1958
Gross Income . .	$671,573.00	$605,001.00	$842,402.00	$943,551.00	$1,373,150.00	$1,704,662.00	$2,097,957.00	$1,899,466.00
Net Profit Before Tax . . .	33,171.00	21,242.00	28,731.00	35,121.00	78,355.00	124,240.00	243,757.00	175,963.00
Taxes . . .	11,215.00	6,352.00	8,901.00	12,531.00	35,614.00	62,935.00	120,594.00	86,164.00
Net Profit After Tax . . .	21,856.00	14,890.00	19,830.00	22,590.00	42,741.00	61,305.00	123,162.00	89,799.00

CAPITALIZATION

The capitalization of the Company as of April 30, 1959 and as adjusted to give effect to the issuance of the common stock offered hereby is as follows:

	Outstanding As of April 30, 1959	Amount to be Outstanding(2)
Mortgages and Loans Payable(1)	$104,589.32	$104,589.32
Notes Payable to Banks(3)	36,000.00	36,000.00
Common Stock, $.50 par value—Authorized 500,000 shares(4)	250,000.00 shs	325,000 shs.

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(1) Includes mortgage loans on principal properties of the Company as well as loans from officers; for further information see note (1) to financial statements.

(2) Less normal amortization; for further information see note (1) to financial statements.

(3) Unsecured, payable September 9, 1959 with interest at 5¼% per annum, but renewable on a 90-day basis until Company's condemnation proceeding is settled. See note (3) to financial statements.

(4) There are no options or warrants outstanding or proposed to be granted to acquire securities of the Company.

PROPERTIES OF THE COMPANY

The Company owns the premises at 241 Old Country Road, Mineola, New York, in which is located its principal office, executive offices and sales division. This property consists of a building containing approximately 10,000 square feet of usable floor space situated on a site of approximately 20,000 square feet, the balance of which is used as a parking space for Company personnel. A portion of the building was constructed by the Company in 1947 of brick and stucco, an adjacent building some 25 years old, of like construction, was acquired in 1948 and the space between the two buildings was enclosed in 1949, making a single structure. The property is owned in fee, subject to a mortgage held by Franklin National Bank, Mineola, New York, in an unpaid principal amount, as of June 1, 1959, of $64,000. The mortgage note is in good standing and is being amortized at the rate of $4,000 per year.

The Company also owns an improved parcel of real estate at Merritts Road, Farmingdale, Long Island, New York, in which is located its service division. This parcel, purchased by the Company in 1956, comprises approximately 2 acres with a building located thereon approximately 25 years old, of concrete block and stucco construction and containing approximately 10,000 square feet of useable floor space. The balance of the site is used as a parking lot for Company personnel and affords ample room for building expansion. This property is owned in fee, subject to a mortgage held by Long Island Trust Company in an unpaid principal amount as of June 1, 1959 of $28,210.65. The mortgage note is in good standing and is being amortized at the rate of $379.85 per month.

The Company also owns in fee 6.3 acres of undeveloped real property in Northvale, New Jersey, which is being held against the contingency of future expansion in that area.

All of the buildings owned by the Company are in the opinion of its management adequately insured against the customary risks.

The Company also owns all necessary testing, maintenance and overhaul equipment required to conduct its business as above set forth, subject to no liens or encumbrances.

APPLICATION OF PROCEEDS

The net proceeds to be derived from the sales of the shares offered hereby, estimated to be approximately $263,875, will be added to the cash funds of the Company to be available for general corporate purposes, including such additional working capital and the acquisition of such additional specialized equipment as may be required from time to time as a result of the anticipated expansion and future growth of its business. The Company has committed itself to apply approximately $62,000 of the net proceeds to the purchase of a new fuel metering control test stand for the maintenance and overhaul of fuel metering systems used on jet aircraft. To the extent presently known, the uses of the proceeds and the priority of application of such proceeds are as follows:

	control test stand for the maintenance and	
1.	Purchase of a fuel metering jet aircraft	$ 62,000.00
	overhaul of fuel metering systems used on jet aircraft	
	... with the test stand..	10,000.00
2.	Electrical power equipment for use in connection with the test stand	10,000.00
3.	Specialized tooling for use in connection with the test stand	7,500.00
4.	Water cooling system for use in connection with the test stand	174,375.00
5.	Working capital purposes	
		$263,875.00

The Company presently maintains with Franklin National Bank, Roosevelt Field Branch, Mineola, New York, an open line of credit up to the sum of $300,000, on a short term revolving basis, available immediately. The interest rate is not fixed but is dependent on the money market from time to time. The Company may, if, as and when required, utilize for the above purposes the funds so made available in addition to the net proceeds of this offering.

MANAGEMENT

The following tabulation shows the names and addresses of all officers and directors of the Company, the office or offices held by each, the aggregate annual remuneration of each and the number of shares of the common stock of the Company owned by each, beneficially or of record. The tabulation also sets forth the aggregate annual remuneration of all directors and officers of the Company as a group:

Names and Addresses	Office	Aggregate Annual Remuneration(1) (2) (3)	Shares Owned Beneficially or of Record
Louis J. Bollo 79 Oxford Boulevard Garden City, Long Island, New York	President and Director	$39,200	225,000
Harry K. Wright 293 Sunset Boulevard Wyckoff, New Jersey	Vice President and Director	$30,940	25,000
Josephine W. Bollo 79 Oxford Boulevard Garden City, Long Island, New York	Secretary, Treasurer and Director	None	None
All Officers and Directors as a Group		$70,140	250,000

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(1) These figures represent the annual salary paid to each officer and director with respect to the year 1958 and include bonuses paid in January, 1959 to Mr. Bollo in the amount of $8,000 and to Mr. Wright in the amount of $6,500. It has been the practice of the Company to grant bonuses each year in the past. However, the grant of any such bonus and the amount thereof is entirely within the discretion of the Board of Directors of the Company.

(2) Excluding all amounts paid by the Company as premiums on insurance on the lives of Mr. Wright and Mr. Bollo as more particularly set forth below.

(3) There have been no significant changes in compensation arrangements for officers and directors in 1959, nor are any such changes presently contemplated, other than the adoption of a fully qualified pension and/or profit sharing plan for all employees of the Company, including management, the advisability of which is presently under consideration.

Louis J. Bollo, President, Director and majority stockholder of the Company has been active in the sale, maintenance and overhaul of aircraft instruments and accessories since 1927 when he became employed as service manager for the then Pioneer Instrument Division of the Bendix Aviation Corporation (Roosevelt Field Branch). In 1933 he acquired from Bendix Aviation Corporation the business of this Roosevelt Field Branch of the Pioneer Instrument Division and ran it as a sole proprietorship under the name of Standard Aircraft Equipment Co. until the Company was incorporated under the name of L. J. Bollo, Inc. in 1947.

Harry K. Wright, Vice President and Director of the Company, was employed by the Sales Department of the Eclipse-Pioneer Division of the Bendix Aviation Corporation from 1939 to 1947. He joined the Company in 1947, became a Vice President in 1948, and General Manager in 1957.

The Company owns and pays premiums on policies of life insurance insuring the lives of Mr. Bollo and Mr. Wright in the face amounts of $47,000 and $6,000 respectively. The proceeds of each policy are payable to the Company. Also, the Company carries a non contributory group life insurance plan for its employees, the proceeds of which are in each case payable to beneficiaries named by the employee. Mr. Bollo and Mr. Wright each have a $6,000 participation in this plan. In 1958 the total premiums paid under the plan for all employees was $1,471.35, of which $51.12 was attributable to premiums for insurance on the life of Mr. Bollo and a like amount to premiums for insurance on the life of Mr. Wright.

The Company has an agreement with Mr. Bollo whereby on his death his estate, at its option, may require the Company to purchase up to 50,000 shares of Mr. Bollo's stock in the Company at a price equal to the higher of fair market value at the date of death or $4.00 per share. The purchase price may be evidenced by notes of the Company payable ratably over a ten year period. Under a similar agreement with Mr. Wright the Company may be required to purchase from his estate up to 25,000 shares of the stock of the Company owned by him.

Josephine W. Bollo, Secretary, Treasurer and Director of the Company, is the wife of Louis J. Bollo. She receives no compensation from the Company, direct or indirect.

If all the shares offered hereby are sold there will be issued and outstanding a total of 325,000 such shares, of which L. J. Bollo will hold 225,000 shares or approximately 69%; Harry K. Wright will own 25,000 shares or approximately 8% and the investing public will own 75,000 or approximately 23% of all such shares issued and outstanding.

Other than as set forth above, none of the officers and directors of the Company has any direct or indirect interest in the Company, or in any material transaction within the past two years, or in any present or proposed material transaction to which the Company or any predecessor or affiliate was, is or is to be a party. See Note (1) to Financial Statements for a statement of certain loans made to the Company by Mr. Bollo, majority stockholder. The proceeds of the sale of the stock will not be used to repay these loans.

DESCRIPTION OF COMMON STOCK

The shares presently outstanding are, and those issuable hereunder will be full paid and nonassessable. The common stock of the Company has sole voting power. Each share has equal rights with every other share as to voting, dividends and on liquidation. There are no pre-emptive rights or redemption rights. Because this is an initial public issue there is no present market for the stock of the Company. The Company has never paid a dividend.

UNDERWRITING ARRANGEMENTS

Adams & Peck (the "Underwriter"), having a principal place of business at 120 Broadway, New York 5, New York, has entered into an Agreement with the Company dated July 10, 1959, whereby the Underwriter has agreed to purchase from the Company 75,000 shares of the $.50 par value common stock of the Company at a price of $3.625 per share and to resell the same to the public at a public offering price of $4.00 per share, for an aggregate offering price to the public of $300,000. The Underwriting Agreement is on a firm commitment basis, and consequently there are no arrangements to return funds to subscribers if all the securities are not sold. The aggregate underwriting discount is $28,125.

The Underwriter has advised the Company that it proposes to offer a part of the shares of common stock offered hereby to dealers to be selected by it at a price which represents a concession of not in excess of $.25 per share under the public offering price.

The Company has agreed to reimburse the Underwriter in an amount not to exceed $2,500 for certain of its selling expenses, including counsel fees and has agreed to pay certain other expenses in connection with this offering estimated to be approximately $5,500. The net proceeds to the Company is estimated to be approximately $263,875.

The Company has also agreed to indemnify and save harmless Adams & Peck for certain liabilities arising out of the offering and Adams & Peck has in turn agreed to indemnify the Company against certain liabilities.

LITIGATION

In 1955, in connection with the widening of Old Country Road, Nassau County condemned a portion of the Company's land and buildings comprising a part of its principal office at Mineola, New York. A strip of land approximately 10 feet by 140 feet was taken as well as a portion of the Company's main office building, which projected out into the proposed right-of-way. The Company exercised its option to demolish and reconstruct the projecting portion of the building. Total damages to the Company, including the cost of demolition, construction, the value of the land taken and consequential damages were appraised by the Company's appraisers at $152,500. The remodeling costs alone are carried on the balance sheet at $38,638.34. The award offered by Nassau County was considerably below this. Consequently, the Company has pressed its claim in a proceeding presently pending in the Supreme Court, Nassau County, not as yet noted for trial.

Other than this condemnation proceeding, the Company knows of no litigation pending or threatened against it or against its property.

LEGAL OPINIONS

Legal matters in connection with the securities offered hereby have been passed upon on behalf of the Company by Messrs. Jackson, Nash, Brophy, Barringer & Brooks, 40 Wall Street, New York, N. Y., and by Messrs. Simpson Thacher & Bartlett, 120 Broadway, New York City, N. Y. on behalf of the Underwriter.

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BYRNES & BAKER
Certified Public Accountants
19 Rector Street
New York 6, N. Y.

February 24, 1959

Board of Directors
Standard Aircraft Equipment Co., Inc.
241 Old Country Road
Mineola, New York

Dear Sirs:

We have examined the balance sheet of Standard Aircraft Equipment Co., Inc. at December 31, 1957 and December 31, 1958 and the related statements of profit and loss and earned surplus for the years then ended.

We were engaged subsequent to January 1, 1957 and were unable to verify the merchandise inventory at that date. With this exception, our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and statements of profit and loss and earned surplus with the exception of the inventory at January 1, 1957 as noted above, present fairly the financial position of the Company at December 31, 1957 and December 31, 1958 and the results of its operations for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Very truly yours,

BYRNES & BAKER

STANDARD AIRCRAFT EQUIPMENT CO., INC.

COMPARATIVE BALANCE SHEET

December 31, 1957, December 31, 1958, April 30, 1958, and April 30, 1959

ASSETS	December 31, (Audited)		April 30, (Unaudited)	
	1957	1958	1958	1959
Current:				
Cash on Hand and in Banks.........	$ 68,352.93	$ 92,865.50	$ 31,839.71	$ 52,297.57
Accounts Receivable—Trade—Less Reserve for Doubtful Accounts........	269,271.05	291,941.41	258,747.10	260,533.74
Merchandise Inventory (at the lower of cost or market)..................	321,519.44	371,288.07	302,628.47	415,660.36
Claim for Reconstruction Expense (See Note 3)	38,638.34	38,638.34	38,638.34	38,638.34
Prepaid Expenses and Other Current Assets	3,095.68	8,349.16	10,670.07	12,685.96
Total Current Assets..........	$700,877.44	$ 803,082.48	$642,523.69	$ 779,815.97
Investments (See Note 6).............	21,770.21	25,419.17	23,629.71	25,419.17
Fixed Assets—Net of Reserves for Depreciation (See Notes 1 and 2).......	164,933.64	166,278.07	165,812.28	173,413.90
Deferred Charges and Other Assets....	4,080.38	3,367.63	1,511.05	2,487.46
Total Assets	$891,661.67	$ 998,147.35	$833,476.73	$ 981,136.50

The accompanying "Notes to Financial Statements" are an integral part of this statement.

STANDARD AIRCRAFT EQUIPMENT CO., INC.

COMPARATIVE BALANCE SHEET

December 31, 1957, December 31, 1958, April 30, 1958, and April 30, 1959

	December 31, (Audited)		April 30, (Unaudited)	
LIABILITIES	1957	1958	1958	1959
Current:				
Notes Payable—Bank—Unsecured ...	$ 75,600.00	$ 36,000.00	$ 33,100.00	$ 36,000.00
Installments on Long-term Liabilities —due within one year............	9,005.85	8,254.26	8,541.16	8,004.26
Accounts Payable and Accrued Expenses	96,168.56	198,003.33	82,680.06	165,332.13
Accrued and Withheld Taxes........	144,086.66	107,673.11	113,468.18	94,781.36
Total Current Liabilities.......	$324,861.07	$ 349,930.70	$237,789.40	$ 304,117.75
Long-term: (See Note 1)				
Mortgages Payable	$102,299.30	$ 95,446.37	$100,365.67	$ 93,460.06
Notes Payable	945.14	—	405.06	—
Loans Payable—Officer	12,871.72	11,535.01	12,753.34	11,129.26
	$116,116.16	$ 106,981.38	$113,524.07	$ 104,589.32
Less: Installments due within one year	9,005.85	8,254.26	8,541.16	8,004.26
Total Long-term Liabilities....	$107,110.31	$ 98,727.12	$104,982.91	$ 96,585.06
Total Liabilities	$431,971.38	$ 448,657.82	$342,772.31	$ 400,702.81
CAPITAL STOCK AND SURPLUS				
Capital Stock—Common—$.50 Par Value (See Note 4)				
Authorized—500,000 shares. Issued and Outstanding 250,000 shares...	$ 56,857.68	$ 125,000.00	$ 56,857.68	$ 125,000.00
Earned Surplus: (See Note 4)				
Unappropriated	390,281.39	410,078.81	419,436.02	441,022.97
Appropriated—as a Reserve for Self-Insurance	12,551.22	14,410.72	14,410.72	14,410.72
Total Capital Stock and Surplus	$459,690.29	$ 549,489.53	$490,704.42	$ 580,433.69
Total Liabilities, Capital Stock and Surplus	$891,661.67	$ 998,147.35	$833,476.73	$ 981,136.50

The accompanying "Notes to Financial Statements" are an integral part of this statement.

STANDARD AIRCRAFT EQUIPMENT CO., INC.

COMPARATIVE STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS

For the years ended December 31, 1957, December 31, 1958
and the Four Month Periods Ended April 30, 1958 and April 30, 1959

	Years Ended December 31, (Audited)		Periods Ended April 30, (Unaudited)	
	1957	1958	1958	1959
Sales—Net of Returns and Allowances..	$2,097,957.18	$1,899,466.12	$593,708.91	$684,797.09
Cost of Sales (See Note 7)............	1,488,732.90	1,335,310.16	416,044.82	483,177.75
Gross Profit from Operations..	$ 609,224.28	$ 564,155.96	$177,664.09	$201,619.34
Operating Expenses (See Note 8).......	375,232.54	394,311.46	120,040.27	143,374.11
Net Profit from Operations....	$ 233,991.74	$ 169,844.50	$ 57,623.82	$ 58,245.23
Other Income, less Other Expenses.....	9,765.48	6,119.00	3,169.51	2,402.31
Net Profit before Federal Income Tax	$ 243,757.22	$ 175,963.50	$ 60,793.33	$ 60,647.54
Provision for Federal Income Tax......	120,594.70	86,164.26	29,779.20	29,703.38
Net Profit for the Period Ended	$ 123,162.52	$ 89,799.24	$ 31,014.13	$ 30,944.16
Earned Surplus—January 1...........	260,106.56	390,281.39	390,281.39	410,078.81
Add: Net Adjustments to Opening Balance	7,012.31	—	—	—
	$ 390,281.39	$ 480,080.63	$421,295.52	$441,022.97
Less: Transfer to Appropriated Surplus—Self-Insurance Fund	$ —	$ 1,859.50	$ 1,859.50	$ —
Transfer to Capital Stock to effect Recapitalization (See Note 4).	—	68,142.32	—	—
	$ —	$ 70,001.82	$ 1,859.50	$ —
Earned Surplus—End of Period........	$ 390,281.39	$ 410,078.81	$419,436.02	$441,022.97

The accompanying "Notes to Financial Statements" are an integral part of this statement.

STANDARD AIRCRAFT EQUIPMENT CO., INC.

NOTES TO FINANCIAL STATEMENTS

April 30, 1959

1. The land, buildings and improvements at Mineola, New York, are pledged to secure payment of a mortgage to The Franklin National Bank of Long Island with a balance of $65,000 ($66,000 at December 31, 1958, $70,000 at December 31, 1957). Quarterly payments of $1,000 with interest at the rate of 5% per annum are due until May 1965, when the balance of $40,000 is due.

   The land, buildings and improvements at Farmingdale, New York, are pledged to secure payment of a mortgage to the Long Island Trust Company with a balance of $28,460.06 ($29,446.37 at December 31, 1958, $32,299.30 at December 31, 1957). Monthly payments of $379.85 which include principal and interest at 5½% per annum are due until February 1967.

   The Corporation was indebted to its president, Mr. L. J. Bollo, on two long-term loans. The first loan had a balance of $8,354.26 ($8,460.01 at December 31, 1958 and $8,896.72 at December 31, 1957) and was payable quarterly at the rate of 1¼% of the unpaid balance plus interest at the rate of 4% per annum. The second loan had a balance of $2,775.00 ($3,075.00 at December 31, 1958 and $3,975.00 at December 31, 1957) and was payable monthly in the amount of $75.00 plus interest at the rate of 5% per annum. The note evidencing the first loan is dated November 30, 1947 in the principal amount of $21,464, due November 30, 1967. The note evidencing the second loan is dated June 1, 1957 in the principal amount of $4,500. Neither note has a prepayment provision.

2. Fixed assets and their related reserves for depreciation at the balance sheet dates are presented below in tabular form:

	December 31,		April 30,	
	1957	1958	1958	19
Assets:				
Land	$ 65,691.13	$ 65,691.13	$ 65,691.13	$ 65,691.13
Buildings and Improvements (11 to 50 years)	109,086.58	117,634.08	110,887.58	119,246.58
Machinery, Equipment and Furniture (3 to 10 years)	85,180.85	92,348.95	86,134.77	97,481.52
Autos and Trucks (3 years)	11,844.35	6,843.25	9,970.25	11,756.25
Total	$271,802.91	$282,517.41	$272,683.73	$294,175.48
Reserves for Depreciation:				
Buildings and Improvements	$ 32,794.65	$ 39,108.46	$ 34,877.42	$ 41,122.73
Machinery, Equipment and Furniture	62,646.27	73,786.90	65,862.74	76,228.74
Autos and Trucks	11,428.35	3,343.98	6,131.29	3,410.11
Total	$106,869.27	$116,239.34	$106,871.45	$120,761.58

Depreciation is provided on a straight-line basis over the estimated service lives of the individual units, except that new machinery and test equipment acquired in 1954 and thereafter has been depreciated on the sum of the year's digits basis. The average lives used in computing depreciation appears parenthetically in the above table.

Maintenance and repairs are charged to expense as incurred. The cost of renewals and betterments are capitalized. Cost of property retired or sold is removed from asset accounts and accrued depreciation to date of retirement or sale is eliminated from the reserve accounts; any difference is recorded in profit and loss.

NOTES TO FINANCIAL STATEMENTS—(Continued)

3. The Company has remodelled its building at Mineola, New York as a result of the condemnation of a portion of its land by Nassau County in connection with a road widening project. The cost of the remodelling to the balance sheet date was $38,638.34. A claim is presently on file with the County of Nassau for a condemnation award for all expenses incurred by the Company.

4. On August 22, 1958, the Company amended its Certificate of Incorporation in order to change its capitalization from 200 shares of no par value common stock to 500,000 shares of common stock with a value of $.50. The 100 shares of outstanding no par value common stock were exchanged for 250,000 shares of $.50 par value common stock. The amount of $68,142.32 was transferred from Earned Surplus—Unappropriated to Capital Stock in order to reflect the Corporation's new capitalization.

5. The Company has a contingent liability of $300,000 or more in the event of the deaths of Messrs. Bollo and Wright. Details of this stock repurchase agreement appear in the second paragraph on page 8 of the Offering Circular.

   The Company has committed itself to the purchase of capital equipment approximating $62,000. Further information as to this commitment may be found under "Application of Proceeds" at page 6.

6. Investments consist of the cash surrender value of officers life insurance, cash and United States Government Savings Bonds stated at issue price.

7. Inventories are determined on a first in first out basis and were used as follows in the computation of cost of sales:

	Year ended December 31,		Period ended April 30,	
	1957	1958	1958	1959
Opening Inventory	$195,093.81	$321,519.44	$321,519.44	$371,288.07
Closing Inventory	321,519.44	371,288.07	302,628.47	415,660.36

8. Depreciation Charged in each period was as follows:

Year ended December 31, 1957	$20,283.37
Year ended December 31, 1958	18,606.19
Period ended April 30, 1958	6,111.30
Period ended April 30, 1959	4,522.24

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1113

MANUFACTURER	DESCRIPTION	PART NUMBER

INTERCHANGEABILITY AND REMARKS:

REVIEW PT.

SUP'D BY:

SUP'S:

REASON:

STD. PKG.

UNIT PRICE

SALES AND PROCUREMENT RECORD										STOCK RECORD				
				Order Balance			Accum. B. O.							
Date	Customer, R. T. or P. O.	Sales Order	Qt. On Order	1 4	2 5	3 6	Sale	Stk.	Sched.	Rec'd.	Location	Unit Price	Issued	Inv. Bal.

FORM 24R

STANDARD AIRCRAFT EQUIPMENT CO., INC.

6/5/67 DX-V 34 14

1114 DX-V

AGREEMENT

THIS AGREEMENT, made this 8th day of June 1967, by and among STANDARD AIRCRAFT EQUIPMENT CO., INC., a New York corporation, (hereinafter called "Standard") and LOUIS J. BOLLO (hereinafter called "Bollo") (Standard and Bollo being sometimes herein collectively referred to as the "Sellers") and FIRST GRANT CORPORATION, a Delaware corporation, (hereinafter called the "Purchaser");

WITNESSETH:

WHEREAS Purchaser desires to purchase an aggregate 84,000 shares of the common stock of Standard and Sellers are willing to sell such shares to Purchaser, all in the manner herein provided:

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and intending to be legally bound hereby, the parties hereto do covenant and agree as follows:

1. On the Closing Date, as hereinafter defined, Standard will sell to Purchaser and Purchaser will purchase from Standard 64,000 shares of the common stock of Standard (including 14,000 shares of such stock presently held in the treasury of Standard and 50,000 authorized but unissued shares of such stock) at a purchase price of $7.00 per share, all upon the terms and subject to the conditions hereinafter set forth.

2. On the Closing Date, as hereinafter defined, Bollo will sell to Purchaser and Purchaser will purchase from Bollo 20,000 shares of the common stock of Standard at a price of $7.00 per share, all upon the terms and subject to the conditions hereinafter set forth.

1115

3. Bollo hereby warrants and represents that the 20,000 shares of common stock of Standard to be sold by him to Purchaser hereunder are validly issued and outstanding shares of the common stock of Standard, that he owns said shares free and clear of all pledges, liens and claims, and that he has the full power and authority to transfer such shares to Purchaser as herein provided.

4. The Sellers hereby warrant and represent as follows:

(a) Standard and each of its subsidiaries is duly organized and validly existing as a corporation in good standing under the laws of its state of incorporation and has the power and authority to own and lease its properties and to conduct its business as now being conducted, and is duly qualified to do business as a foreign corporation and is in good standing in each other jurisdiction in which its ownership of properties or business activities require such qualification.

(b) The authorized capital stock of Standard consists of 500,000 shares of common stock of the par value of $.50 per share, of which 372,573 shares (including 14,000 shares held in the treasury of Standard) are issued. The 14,000 shares of treasury stock to be sold to Purchaser hereunder are, and the 50,000 shares of authorized but unissued shares of such stock to be sold to Purchaser hereunder upon the issuance to Purchaser as provided herein will be, validly issued, fully-paid and nonassessable shares of the capital stock of Standard.

(c) Standard has granted no right, option or privilege to purchase any shares of its common stock and has outstanding no security which is convertible into shares of common stock.

(d) There has been furnished to Purchaser financial statements of Standard, consisting of balance sheets and income statements and related notes for the years ended December 31, 1961, 1962, 1963, 1964, 1965 and 1966, accompanied in each instance by the opinion of Byrnes & Baker, certified public accountants, and a balance sheet as of March 31, 1967, and income statement for the three (3) months period then ended, prepared from the books and records of Standard without audit. Except as otherwise specifically set forth in said statements or in the accompanying accountant's certificates, all such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved. All such statements fairly present the financial position of Standard as of the dates thereof and the results of operations for the periods indicated.

(e) Since December 31, 1966, there has been no material adverse change in the financial condition or in the business or operations of Standard.

(f) Standard has no employment contracts or commitments and has no employee benefit plans or arrangements other than group life insurance, hospitalization and pension plans under which all employees are covered.

(g) There are no material actions, suits or proceedings pending or, to the knowledge of Sellers, threatened against Standard other than those listed on Exhibit A attached hereto, and Standard is not in default with respect to any judgment, writ, injunction or other order of any court or governmental agency.

(h) The execution of this Agreement and the sale by Standard of the 64,000 shares of its common stock to Purchaser as contemplated hereunder will not result in the breach of any term or provision of or constitute a default under any agreement to which Standard is a party.

(i) All necessary corporate action has been taken by Standard to approve the execution of this Agreement and the sale to Purchaser of the 14,000 shares of its common stock held in the treasury and the issuance to Purchaser of 50,000 shares of its authorized but unissued shares of common stock.

5. Purchaser hereby represents that the 84,000 shares of common stock of Standard to be purchased by it hereunder are being acquired by it for investment and are not being purchased for the purpose of or with a view to distribution or resale thereof. Purchaser acknowledges that such 84,000 shares have not been registered under the Securities Act of 1933 and that the Sellers are relying upon the Purchaser's representation in claiming an exemption from the registration requirements of said Act.

6. The closing on the transactions contemplated hereunder shall take place at the offices of Estabrook & Co. on May ___, 1967, or such other date as may be mutually agreed upon by the parties hereto (said date being referred to herein as the "Closing Date"). On the Closing Date:

(a) Standard and Bollo will deliver to Purchaser a certificate or certificates for 64,000 shares and 20,000 shares, respectively, of the common stock of Standard, the certificate or certificates for 14,000 shares of treasury stock to be delivered by Standard and the certificate or certificates for 20,000 shares to be delivered by Bollo to be duly endorsed for transfer, or with duly executed stock powers attached thereto, and with all required documentary stamps affixed thereto; and

(b) Purchaser shall deliver to Standard and Bollo certified or cashier's checks in the respective amounts of $448,000 and $140,000.

7. The obligation of Purchaser to consummate the transactions contemplated hereunder is subject to the fulfillment of each of the following conditions:

(a) Sellers shall have furnished to Purchaser an opinion of their counsel, Jackson, Nash, Brophy, Berringer & Brooks, dated the Closing Date, that:

(i) Standard and each of its subsidiaries is duly organized and validly existing as a corporation in good standing under the laws of its state of incorporation and has the power and authority to own and lease its properties and to conduct its business as now being conducted, and is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which its ownership of properties or business activities requires such qualification;

(ii) the 14,000 shares of common stock of Standard held in its treasury and the 20,000 shares of such stock owned by Bollo are validly issued, fully-paid and nonassessable shares of the capital stock of Standard;

(iii) all necessary corporate action has been taken by Standard to approve the execution of this Agreement and the sale to Purchaser of the 14,000 shares of its common stock held in the treasury and the issuance to Purchaser of 50,000 shares of its authorized but unissued shares of its common stock;

(iv) to the knowledge of such counsel, there are no material actions, suits or proceedings pending or threatened against standard other than those listed on Exhibit A attached hereto, and Standard is not in default with respect to any judgment, writ, injunction or other order of any court or governmental agency.

In giving its opinion with respect to the matters referred to in subparagraph (i) such counsel may rely upon a statement from Standard describing the business conducted by Standard and its subsidiaries and setting forth the jurisdictions in which Standard and its subsidiaries own property or facilities or conduct business or other activities.

(b) The representations and warranties contained in Paragraphs 3 and 4 of this Agreement shall be true and correct as of the Closing Date with the same force and effect as though they had been made at the Closing Date and there shall have been delivered to Purchaser the certificate of Louis J. Bollo, President of Standard, dated the Closing Date, to such effect.

8. Purchaser will not be required to purchase the shares of stock of either of the Sellers unless simultaneously both of the Sellers sell to Purchaser the shares of stock to be sold by them under this Agreement.

9. Each of the parties hereto covenants and represents that except for a fee of $15,000 which is to be paid to Estabrook & Co. by Purchaser, no agreement has been made [illegible], or no action

has been taken which would give rise to a valid claim against any of the parties hereto for, the payment to any person of a brokerage commission, finder's fee, or other like payment in connection with this Agreement and the transactions contemplated hereby.

10. All representations and warranties of Standard and Bollo contained in Paragraphs 3 and 4 hereof shall survive the closing. The Sellers jointly and severally covenant and agree to indemnify and hold Purchaser harmless from any and all loss or damage incurred by Purchaser by reason of the breach of any of the representations and warranties set forth in Paragraph 4 hereof.

11. (a) If at any time or times after the expiration of two (2) years from the Closing Date circumstances shall arise which in the opinion of Purchaser make it necessary or desirable for Purchaser to sell or otherwise dispose of all or any part of the shares of common stock of Standard owned by it in a manner which requires registration of such shares under the Securities Act of 1933, as amended, (although Purchaser does not now foresee any such circumstances) upon the written request of Purchaser, Standard shall prepare, file and use its best efforts to cause to become effective under said Act, a registration statement with respect to the number of shares which Purchaser desires to sell; provided, however, that Standard shall not be required to prepare and file more than one such registration statement in any twelve-month period and Standard shall not be required to prepare and file any such registration statement during the twelve-month period following the effective date of any registration

statement filed by Standard covering shares offered by Standard or any other shareholder (whether or not Purchaser has elected, pursuant to subparagraph (b) hereof, to include any of its shares in said registration statement). All of the costs and expenses of preparing and filing the first such registration statement (except for fees and disbursements of Purchaser's counsel, all costs of printing, mailing and delivering and all costs of any amendment to the registration statement required by Section 10(a)(3) of said Act, which costs shall be paid for by Purchaser) shall be borne by Standard; except as set forth in subparagraph (b)hereof, all of the costs and expenses of preparing and filing any subsequent such registration statements shall be borne by Purchaser.

(b) If at any time after the Closing Date Standard proposes to file a registration statement under the Securities Act of 1933, as amended, for the sale of other shares of its common stock, Standard will so advise Purchaser and, if so requested by Purchaser, Standard will include any shares desired to be sold by Purchaser in said registration statement. In such event, all costs and expenses of preparing and filing such registration statement shall be borne by Standard, except that if such registration statement is not being filed for the sale of shares by Standard but for the sale of shares by one or more other shareholders of Standard, Purchaser will pay its pro rata share of the costs and expenses of preparing and filing such registration statement. All costs and expenses of any amendment to such registration statement required by Section 10(a)(3) of the Securities Act of 1933 necessitated solely by the fact that the shares of Purchaser have not been disposed of within nine months of the effective date of such registration statement shall be borne by Purchaser.

12. This Agreement constitutes the entire agreement between the parties and no amendment or modification thereof shall be effective unless in writing and signed by each of the parties hereto.

13. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed first-class postage prepaid, and addressed:

(a) To Standard or Bollo, at
969 Stewart Avenue
Garden City, New York 11533;

and

(b) To Purchaser, at
Illuminating Building
55 Public Square
Cleveland, Ohio 44113.

14. This Agreement shall inure to the benefit of and be binding upon each of the parties hereto and their respective successors and assigns. It is expressly understood, however, that the right of Purchaser to purchase the 84,000 shares of common stock of Standard from the Sellers hereunder may not be assigned by Purchaser.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, all as of the day and year first above written.

ATTEST:

STANDARD AIRCRAFT EQUIPMENT
CO., INC.

______________________ Secretary

By______________________ President

WITNESS:

Louis J Bollo (SEAL)

Louis J. Bollo

ATTEST:

FIRST GRANT CORPORATION

By

Secretary

President

1124

DX-W

DISTRIBUTORSHIP AGREEMENT

THIS AGREEMENT, executed as of the 17th day of July, 1959, by and between WHITTAKER CONTROLS DIVISION OF TELECOMPUTING CORPORATION, a corporation duly organized and existing under the laws of the State of California with its principal office at 915 North Citrus Avenue, Los Angeles, California (hereinafter referred to as "Whittaker"), and STANDARD AIRCRAFT EQUIPMENT COMPANY INCORPORATED, a corporation duly organized and existing under the laws of the State of New York with its principal office in Mineola, Long Island, New York (hereinafter referred to as "Standard"), is made with reference to the following facts:

A. Whittaker is engaged in the business of manufacturing aircraft valves, and parts, components, equipment and accessories therefor and other related products (hereinafter referred to as "the products").

B. Standard represents that it has been and now is engaged in the business of being a distributor and sales representative in the eastern section of the United States and has maintained and still maintains an office for that purpose in Mineola, Long Island, New York.

C. Standard desires to be appointed a non-exclusive distributor in the territory hereinafter designated.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. APPOINTMENT AND TERRITORY

Whittaker hereby appoints Standard its non-exclusive distributor, and Standard hereby accepts such appointment, for the sale of the products in the eastern one-half of the United States of America.

2. TERM

This distributorship hereby created shall remain in effect until terminated by either party as herein provided.

3. TITLE

Title to all the products covered by this agreement shall pass to Standard upon delivery at Whittaker's factory to the carrier designated by Whittaker. All of the risk on the products shall remain in Whittaker until title thereto shall have passed as herein provided.

4. TERMS OF PAYMENT AND PRICE

The prices charged Standard by Whittaker shall not be in excess of the prices charged purchasers of the same products in the most favored categories, considering quantities and time of purchase. Standard's resale price shall be the established price in accordance with the effective sales catalogue of the Cycle Order Program of Whittaker. Terms of payment shall be net, 30 days.

5. PROMOTION

Whittaker shall furnish to Standard reasonable quantities of Whittaker sales promotional material and necessary overhaul and instruction manuals. Whittaker will inform its airline customers that Standard is its non-exclusive distributor and maintains a stock of the products in the New York area. Whittaker shall not be responsible nor in any way held liable for the accuracy or interpretation of the literature provided Standard. Standard and Whittaker will use reasonable efforts to cooperate in the sales promotion of the products and Standard is hereby authorized to publicize the fact that it is a non-exclusive distributor of Whittaker. In the event of termination of this agreement as hereinafter provided, Standard will return all literature available to Standard upon the request of Whittaker.

6. TRADE MARKS, TRADE NAMES, ETC.

Nothing contained in this agreement shall confer upon Standard any right to use the names "Whittaker", "Whittaker Controls" or "Telecomputing Corporation", or their trade marks or trade names, except as the distributor of Whittaker. Upon the termination of this agreement as hereinafter provided, Standard agrees to remove, and not thereafter to use, signs, advertising, catalogues, or any other printed matter in its possession or under its control containing the names "Whittaker", "Whittaker Controls" or "Telecomputing Corporation", or their trade marks or trade names. Standard, upon such termination, will not use or permit the use of any of such names, trade marks or trade names in any manner or in connection with any business conducted by it or in which it may be interested.

7. NONASSIGNABILITY

This agreement shall not be transferred or assigned by Standard, and any attempt to assign or transfer this agreement without the written permission of Whittaker shall make the total agreement null and void.

8. OBLIGATING WHITTAKER

Nothing contained in this agreement shall be construed as creating, nor is it the intent of the parties to create, the relationship of principal and agent, partnership, or joint venture between the parties, it being expressly understood that this agreement merely provides for the purchase of Whittaker products by Standard for its own account. Standard shall not make any commitments of any kind for the account of Whittaker, as agent or otherwise, nor shall it assume or create any obligation, express or implied, on behalf of Whittaker, or bind or purport to bind Whittaker in any respect.

9. AGREEMENTS AND WARRANTIES OF STANDARD

Standard agrees, warrants and covenants that throughout the term of this agreement:

(a) It is capable of and is legally licensed to transact business and sell Whittaker products within the above defined territory.

(b) It will devote its best efforts to promote the sale and use of Whittaker products and, if feasible, will establish qualified and competent sales coverage within the above assigned territory to secure adequate sales coverage for Whittaker products.

(c) It will maintain efficient and competent office and sales personnel who will make available the stock of the products whenever practicable during all hours of the day.

(d) It will maintain a paying record and financial stability that will satisfy Whittaker's credit department.

10. MINIMUM STOCKING REQUIREMENTS

Standard agrees that as soon as practicable after execution of this agreement and as requested by Whittaker, it will maintain a minimum stock of the products applicable to the Boeing Airplane Company's Model 707 aircraft, the Fairchild Aircraft and Engine Company's Model F27 aircraft, and the Lockheed Aircraft Company's Model 188 aircraft in the value of $35,000.00. Whittaker has the right and power to select, and from time to time to change, the particular products which shall be maintained in this minimum stocking requirement, and Whittaker shall inform Standard in writing of any such changes in the minimum stocking requirement. Standard agrees that when the Douglas Model DC8 airplane and the Convair Division of General Dynamics Model 880 airplane are delivered to an airline customer, Whittaker shall have the right to increase this minimum stock up to $50,000.00. The dollar value of this minimum stock shall be based upon the acquisition cost of these products to Standard. Whittaker agrees that in the event all or any part of this minimum stock becomes obsolete or not salable due to engineering design changes or aging requirements, it will repurchase from Standard these parts at the acquisition price which Standard paid for these parts. This minimum stock is established to support requirements in the territory for immediate delivery to customers of Standard who have aircraft grounded due to the lack of the products. Standard may purchase and Whittaker may sell the products in excess of this minimum stock requirement, if Standard so desires. In the event any part of this minimum stock is returned due to obsolescence, Whittaker will replace or rework the products to remove any obsolete features and make the products resalable, or will issue credit memorandums to Standard for the value of this stock. Whittaker and Standard agree that in the event either party feels an adjustment is necessary, they will conduct reasonable negotiations to increase or decrease the dollar value of this minimum stock requirement. If these negotiations do not result in a satisfactory agreement to change this dollar value, either party may terminate this agreement as hereinafter provided.

11. WARRANTY

Whittaker grants to Standard the same warranty of the products that Whittaker would grant on a sale of the same products to a domestic airline customer. Standard is authorized to grant an identical warranty of the products when it resells them to a domestic airline customer.

12. TERMINATION

This agreement and the distributorship hereby created may be terminated only (a) by an agreement in writing duly signed by the parties hereto, or (b) by either party at will, with or without cause, upon not less than thirty (30) days notice in writing to the other party, or (c) by either party hereto upon one (1) day like notice in the event the other party hereto ceases to function as a going concern or to conduct its operations in the normal course of business, or a receiver is appointed or applied for by the party, or a petition under the Federal Bankruptcy Act is filed by or against either party, or either party makes an assignment for the benefit of creditors.

13. REPURCHASE IN THE EVENT OF TERMINATION

Within thirty (30) days after termination of this agreement and the distributorship hereby created, Whittaker agrees that it will repurchase from Standard, upon Standard's written request and at the net acquisition price paid by Standard to Whittaker, any or all of the products and parts thereof and any of the unused products or parts thereof which Standard then owns and which Whittaker required Standard to stock in accordance with the minimum stock requirements herein provided. Standard agrees that it will resell to Whittaker at its net acquisition price any of the products which Whittaker requests Standard to resell. Nothing herein set forth shall be construed as requiring Whittaker to repurchase any products in excess of the minimum stock; provided, however, that at the request of Whittaker, Standard shall have the obligation to resell to Whittaker any of the products on hand and not committed for sale on a particular purchase order. Within thirty (30) days after receipt, Whittaker agrees to pay the net acquisition cost to Standard for the products returned after termination of this agreement. In the event Standard does not desire to resell to Whittaker the products in this minimum stock and Whittaker does not request the return of these products, Standard is authorized to dispose or sell these products at the price established in accordance with this agreement. The acceptance of any purchase order from or the sale of any products to

Standard after the termination of this agreement and the distributorship hereby created shall not be construed as a renewal or extension of this agreement nor as a waiver of termination.

14. NO LIABILITY FOR TERMINATION

Neither Whittaker nor Standard, by reason of the termination of this agreement, shall be liable to the other for compensation, reimbursement or damages on account of the loss of prospective profits on anticipated sales or on account of expenditures, investments, leases or commitments in connection with the business or goodwill of Whittaker or Standard, or otherwise.

15. APPLICABLE LAW

This agreement shall be deemed to have been entered into in the City of Los Angeles, State of California, United States of America, and this agreement and all its provisions shall be interpreted and construed according to the laws of the State of California.

16. FAILURE TO ENFORCE

The failure of either party to enforce at any time or for any period of time the provisions hereof shall not be construed to be a waiver of such provisions or of the right of such party thereafter to enforce each and every such provision.

17. NO ORAL AGREEMENTS

The parties hereto declare that this agreement constitutes the sole understanding by which their relationship with each other is to be governed, and that no oral agreements or representations or any of the written terms contained in a purchase order presented by Standard, or otherwise than by an instrument in

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DISTRIBUTORSHIP AGREEMENT

THIS AGREEMENT, executed as of the 1st day of October, 1963, by and between WHITTAKER CONTROLS AND GUIDANCE DIVISION OF TELECOMPUTING CORPORATION, hereinafter referred to as "Whittaker," and STANDARD AIRCRAFT EQUIPMENT COMPANY INCORPORATED, hereinafter referred to as "Standard," is made with reference to the following facts:

A. The parties hereto under date of July _____, 1959, executed a Distributorship Agreement (herein referred to as the "former agreement") at a time when Whittaker was known as Whittaker Controls Division of Telecomputing Corporation, by the terms of which Standard was appointed a distributor for Whittaker. The parties are desirous of terminating said former agreement and entering into a new and different arrangement.

B. Whittaker is engaged, among others, in the business of manufacturing aircraft valves and parts, components, equipment, and accessories therefor and other related products, more particularly described in Whittaker's Commercial Aircraft Provisioning Parts Price Catalog, Fourth Edition, July 1, 1963, hereinafter referred to as the "Products." Whittaker has its principal place of business at Chatsworth, in the County of Los Angeles, State of California.

C. Standard represents that it has been and now is engaged in the business of being a distributor and sales representative and maintains an office for that purpose in Garden City, Long Island, New York.

D. Standard desires to be appointed a nonexclusive distributor for the Products of Whittaker as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and of the provisions and agreements herein contained, it is agreed between the parties as follows:

1. APPOINTMENT AND TERRITORY

Whittaker hereby appoints Standard its nonexclusive distributor for the Products and Standard hereby accepts such appointment for the Continental United States.

2. TERM

This Agreement shall continue in effect until terminated by either party as herein provided.

3. METHOD OF PURCHASE BY STANDARD

Products purchased by Standard shall be purchased for its own account and against its purchase orders in accordance with the provisions herein set forth:

(a) Whittaker shall furnish to Standard one or more copies of its Catalog, which will contain three basic divisions entitled, respectively, "Valves and Components," "Kits," and "Tools." The parts listed in the sections entitled "Valves and Components" and "Kits" fall into three categories:

Category 1: Includes all parts for which a unit price has been established in the Catalog, exclusive of those items which are otherwise designated under the column captioned "Use Code" in the specially marked Catalog labeled "Master Catalog," a copy of which has been furnished Standard and which by reference is made a part of this Agreement.

Category 2: Includes all parts for which a price will be "quoted on request" (QOR). Such parts are designated in the Catalog by the letters QOR in the unit price column. (By definition, all parts listed in the division entitled "Tools" will be classified as Category 2 items, even though unit prices are established.)

Category 3: Includes those parts for which a unit price has been established which are listed in the Catalog because of use on the Model 727 aircraft produced by Boeing. Category 3 parts are not indicated as such in the Catalog as published, but are shown in the Master Catalog furnished to Standard as part of this Agreement, by denoting 727 in "Use Code" column.

(b) Except as provided below, Standard shall pay for the Products the following amounts:

(i) For items listed in Category 1 the list price, less a discount of 15%;

(ii) For items in Category 2, items quoted without price discount. In the case of tools in quantities of four or less, the price listed in the Catalog without discount. In the case of tools in quantities of five or more, the price specially quoted to Standard without discount;

(iii) For items in Category 3 the list price, less a discount of 5% until June 30, 1964, and thereafter said list price, less a discount of 15%.

(c) Standard will issue separate Purchase Orders for Category 1, Category 2, and Category 3 items. Purchase Orders for Category 2 items will be processed by Whittaker upon receipt in accordance with Whittaker's established normal production procedure. Purchase Orders covering all items listed in Categories 1 and 3 received by Whittaker from Standard on and after the tenth day of each calendar month to and including the ninth day of the succeeding calendar month (hereinafter called the "Cumulation Period") shall be held by Whittaker for processing until the tenth day of said succeeding calendar month (sometimes hereinafter referred to as "the effective order date", at which time the Purchase Orders from Standard shall be placed into the production schedules of Whittaker and processed in accordance with Whittaker's established normal production procedure. In the event the cumulative dollar volume of Purchase Orders so held for processing during the Cumulation Period, determined at list prices, exclusive of any discount which might otherwise be applicable, shall total the following amounts, Standard shall be entitled to the following discounts instead of the discounts in paragraph (b):

		Percentage Discount	
In Excess Of	Not Over	Category 1	Category 3
$ 25,000.00	$ 50,000.00	16%	6%
50,000.00	100,000.00	17%	7%
100,000.00	200,000.00	18%	8%
200,000.00	----------	20%	10%

In the event the total cumulative dollar volume of said Purchase Orders during said Cumulation Period shall total less than $500.00, then the normal discount otherwise applicable under subparagraph (b) above shall not apply and Standard shall be charged for and shall pay the list price therefor.

may be decreased without notice at the option of Whittaker. In addition to the foregoing, Whittaker at all times reserves the right to refuse Purchase Orders from Standard for any reason.

(f) Standard will maintain at all times a minimum inventory of end assemblies as set and established by Whittaker from time to time. Said minimum inventory will be reflected either on a marked Catalog furnished to Standard or on other data so furnished. Any such marked Catalog or other data reflecting said minimum inventory may be changed from time to time by Whittaker; provided, however, that in no event shall Standard be required to maintain an inventory of stock under the provisions of this subparagraph (f) in excess of a dollar value of $50,000.00. Nothing contained herein shall be deemed to modify in any way the provisions of this Agreement with respect to the minimum order quantities required to be purchased by Standard.

(g) Title to all Products delivered by Whittaker to Standard shall pass to Standard upon delivery at Whittaker's factory to a carrier designated by Standard, and the risk of loss of said Products shall be with Standard following passage of title thereto as hereinabove provided.

(h) Standard shall pay Whittaker for all Products purchased for its own account the prices as above with payment due to Whittaker on the tenth of the month following the month of delivery of the Products.

(i) For all Products listed in Categories 1 and 3 and for all Category 2 items with prices listed in the tooling section of the Catalog, the resale price by Standard to its customers shall not exceed the price suggested by Whittaker for said Products in the Catalog.

4. EFFECTIVE DATE

The effective date of this Agreement is July 1, 1963 and the former agreement is terminated as of such date.

5. PROMOTION

Whittaker shall furnish to Standard reasonable quantities of Whittaker sales promotional material and necessary overhaul and instruction manuals. Whittaker will inform its airline customers that Standard is its non-exclusive distributor and maintains a stock of the Products in the New York area. Whittaker shall not be responsible nor in any way held liable for the accuracy or interpretation of the literature provided Standard. Standard and Whittaker will use reasonable efforts to cooperate in the sales promotion of the Products and Standard is hereby authorized to publicize the fact that it is a nonexclusive distributor of Whittaker. In the event of termination of this Agreement as hereinafter provided, Standard will return all literature available to Standard upon the request of Whittaker.

6. TRADE-MARKS, TRADE NAMES, ET CETERA

Nothing contained in this Agreement shall confer upon Standard any right to use the names "Whittaker," "Whittaker Controls," "Whittaker Controls and Guidance," or "Telecomputing Corporation," or their trade-marks or trade names, except as the distributor of Whittaker. Upon the termination of this Agreement as hereinafter provided, Standard agrees to remove, and not thereafter to use, signs, advertising, catalogs, or any other printed matter in its possession or under its control containing said names or their trade-marks or trade names. Standard, upon such termination will not use or permit the use of any of such names, trade-marks, or trade names in any manner or in connection with any business conducted by it or in which it may be interested.

7. NONASSIGNABILITY

This Agreement shall not be transferred or assigned in whole or in part by Standard, and any attempt to assign or transfer this Agreement without the written permission of Whittaker shall make the total Agreement null and void.

8. OBLIGATING WHITTAKER

Nothing contained in this Agreement shall be construed as creating, nor is it the intent of the parties to create, the relationship of principal and agent, partnership, or joint venture between the parties, it being expressly understood that the parties are independent contractors and that this Agreement merely provides for the purchase of Whittaker Products by Standard for its own account. Standard shall not make any commitments of any kind for the account of Whittaker, as agent or otherwise, nor shall it assume or create any obligation, express or implied, on behalf of Whittaker or bind or purport to bind Whittaker in any respect.

9. AGREEMENTS AND WARRANTIES OF STANDARD

Standard agrees, warrants, and covenants that throughout the term of this Agreement:

(a) It is capable of and is legally licensed to transact business and sell Whittaker Products within the above defined territory;

(b) It will devote its best efforts to promote the sale and use of Whittaker Products and, if feasible, will establish qualified and competent sales coverage within the above assigned territory to secure adequate sales coverage for Whittaker Products, and will not handle or deal in products competitive to the Products of Whittaker;

(c) It will maintain efficient and competent office and sales personnel who will make available the stock of the Products whenever practicable during all hours of the day;

(d) It will maintain a paying record and financial stability that will satisfy Whittaker's credit department.

10. WARRANTY

Whittaker grants to Standard the same warranty of the Products as Whittaker would grant on a sale of the same product to a domestic airline customer, the warranty to be the warranty then in effect as of the date of delivery of the product to Standard. Standard is authorized to grant

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an identical warranty to its domestic airline customer. Whittaker will keep Standard advised of its current warranties with respect to the several Products.

11. OBSOLESCENCE DUE TO ENGINEERING DESIGN AND CHANGES

Whittaker agrees that if any inventory acquired by Standard under the terms of this or the former agreement becomes obsolete or not salable due to a mandatory engineering change, Whittaker will have the obligation either to repurchase those parts at Standard's acquisition price or to replace them with salable inventory at no charge to Standard. Whittaker will have no obligation to repurchase or replace inventory that becomes obsolete due to aging.

12. TERMINATION

This Agreement and the distributorship hereby created may be terminated as follows:

(a) By an agreement in writing duly signed by both parties;

(b) By Standard at will with or without cause upon not less than thirty (30) days' written notice to Whittaker;

(c) By Whittaker at will with or without cause upon not less than thirty (30) days' notice in writing;

(d) By Whittaker at will with or without cause upon not less than six (6) months' notice in writing;

(e) In the event Standard shall breach any of the provisions of this Agreement on its part to be performed and fail to cure the same within five (5) days after notice in writing from Whittaker advising Standard of such breach, then Whittaker may forthwith terminate this Agreement;

(f) By either party in the event the other party ceases to function as a going concern, or to conduct its operations in the normal course of business, or a receiver is appointed or applied for by the party, or either party makes an assignment for the benefit of creditors, or a voluntary petition under the Federal Bankruptcy Act is filed, or an involuntary petition is so filed and is not dismissed within ten (10) days.

13. REPURCHASE OF INVENTORY IN EVENT OF TERMINATION

(a) In the event of termination under the conditions of paragraph 11(a), repurchase provisions shall be as set forth in such a written agreement;

(b) In the event of termination under conditions of paragraph 11(b), 11(d), 11(e), and 11(f), Whittaker shall have no obligation to repurchase any Products in Standard's inventory, but Whittaker shall have the option to repurchase inventory as provided in paragraph (d) below;

(c) In the event of termination under conditions of paragraph 11(c), Whittaker shall have the obligation to repurchase all inventory, except that which is obsolete due to aging, purchased by Standard under the terms of this or the former agreement which Standard desires to sell to Whittaker at Standard's net acquisition cost and to make payment within thirty (30) days after receipt. In the event Standard does not desire to sell any or all of these Products to Whittaker, it is authorized to dispose of or sell these Products after the termination of the Agreement at the prices established in accordance with this Agreement;

(d) In the event of termination under the provisions of paragraph 11(b), 11(d), 11(e), or 11(f), Whittaker shall have the right and option, but not the obligation, to repurchase from Standard any part or all of the Products in Standard's inventory acquired by Standard from Whittaker under the provisions of this Agreement or the former agreement, except for Products committed to fill particular Purchase Orders accepted by Standard prior to the effective date of termination. Whittaker shall promptly notify Standard of its election to exercise its option and Standard shall make available to Whittaker those Products which Whittaker so desires to repurchase.

(e) For all Products repurchased by Whittaker under the provisions of this paragraph 12, Whittaker shall pay for the same the net acquisition cost of Standard as reflected on the Purchase Orders issued by Standard to Whittaker and where the same can not be specifically identified as relating to specific Purchase Orders, net acquisition cost shall be determined by evaluating Standard's inventory on the FIFO method of accounting. Whittaker shall pay for the Products so repurchased within thirty (30) days after delivery.

(f) Any Products not repurchased by Whittaker under the provisions of subparagraph (d) above shall remain the property of Standard and Standard shall have the right to sell and dispose of the same at the established prices as provided herein.

14. NO LIABILITY FOR TERMINATION

Neither Whittaker nor Standard, by reason of the termination of this Agreement, shall be liable to the other for compensation, reimbursement, or damages on account of the loss os prospective profits on anticipated sales or on account of expenditures, investments, leases, or commitments in connection with the business or goodwill of Whittaker or Standard, or otherwise.

15. FAILURE TO ENFORCE

The failure of either party_to enforce at any time or for any period of time the provisions hereof shall not be construed to be a waiver of such provisions or of the right of such party thereafter to enforce each and every such provision.

16. NO ORAL AGREEMENTS

The parties hereto declare that this Agreement constitutes the sole understanding by which their relationship with each other is to be governed, and that there are no oral agreements or representations between the parties. The terms and provisions of any Purchase Order issued by Standard shall in no way vary the terms of this Agreement, it being understood that this Agreement expressly supersedes the conditions contained in Standard's Purchase Order. This Agreement can be modified or varied only by an agreement in writing executed by an authorized representative of Whittaker and Standard.

17. NOTICES

All notices required or desired to be given under the provisions of this Agreement shall be deemed to have been so given when personally delivered or when placed in the mail, postage prepaid, properly addressed to the party at the addresses set forth below or at such other address as the party shall designate by a duly given written notice.

18. APPLICABLE LAW

This Agreement shall be deemed to have been entered into in the City of Los Angeles, State of California, United States of America, and this Agreement and all its provisions shall be interpreted and construed according to the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their responsible officers hereunto duly authorized.

WHITTAKER CONTROLS AND GUIDANCE
DIVISION OF TELECOMPUTING CORPORATION

ATTEST:

By ________________
Vice President

____
Secretary

9601 Canoga Avenue
Chatsworth, California

STANDARD AIRCRAFT EQUIPMENT
COMPANY INCORPORATED

ATTEST:

By ________________
Pres

____
Secretary

969 Stewart Avenue
Garden City, New York

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DISTRIBUTORSHIP AGREEMENT

THIS AGREEMENT, executed as of the 3rd day of April, 1967, by and between the TECHNICAL PRODUCTS DIVISION OF WHITTAKER CORPORATION, hereinafter referred to as "Whittaker", and STANDARD AIRCRAFT EQUIPMENT COMPANY INCORPORATED, hereinafter referred to as "Standard", is made with reference to the following facts:

A. Whittaker is engaged, among others, in the business of manufacturing aircraft valves and parts, components, equipment, and accessories thereof and other related products, more particularly described in Whittaker's Commercial Aircraft Provisioning Parts Price Catalog, Fifth Edition, November 1, 1966, hereinafter referred to as the "Products". Whittaker has its principal place of business at Chatsworth, in the County of Los Angeles, State of California.

B. Standard represents that it has been and now is engaged in the business of being distributor and sales representative and maintains an office for that purpose in Garden City, Long Island, New York.

C. Standard desires to be appointed a non-exclusive distributor for the Products of Whittaker as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and of the provisions and agreements herein contained, it is agreed between parties as follows:

1. EFFECTIVE DATE

The effective date of this Agreement is April 3, 1967, and all former agreements are terminated as of such date.

2. APPOINTMENT AND TERRITORY

Whittaker hereby appoints Standard its non-exclusive distributor for the Products and Standard hereby accepts such appointment for the Continental United States.

3. TERM

This Agreement shall continue in effect until terminated by either party as herein provided.

4. METHOD OF PURCHASE BY STANDARD

Products purchased by Standard shall be purchased for its own account and against its purchase orders in accordance with the provisions herein set forth:

(a) Whittaker has furnished to Standard one or more copies of its Catalog, which contains four basic divisions entitled, respectively, "Valves", Components", "Kits", and "Tools". The parts listed in the sections entitled "Valves", "Components" and "Kits" fall into two categories:

Category 1: Includes all parts for which a unit price has been established in the Catalog.

Category 2: Includes all parts for which a price will be "quoted on request" (QOR). Such parts are designated in the Catalog by the letters QOR in the unit price column. (By definition, all parts listed in the division entitled "Tools" will be classified as Category 2 items, even though unit prices are established.)

(b) Standard shall pay the list or quoted price for all Products less a discount of 15%.

(c) Standard will issue separate Purchase Orders for Category 1 and Category 2 items. Orders received by Whittaker from Standard on and after the tenth day of each calendar month to and including the ninth day of the succeeding calendar month (hereinafter called the "Cumulation Period") shall be held by Whittaker for processing until the tenth day of said succeeding calendar month (sometimes hereinafter referred to as "the effective order date", at which time the Purchase Orders from Standard shall be placed into the production schedules of Whittaker and processed in accordance with Whittaker's established normal production procedure. In the event the cumulative dollar volume of Purchase Orders so held for processing during the Cumulation Period, determined at list prices, exclusive of any discount which might otherwise be applicable, shall total the following amounts, Standard shall be entitled to the following discounts instead of the discounts in paragraph (b):

Category 1 - Cumulative Discount

In Excess Of	Not Over	Percentage
$ 25,000.00	$ 50,000.00	16%
50,000.00	100,000.00	17%
100,000.00	200,000.00	18%
200,000.00	----------	20%

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In the event the total cumulative dollar volume of said Purchase Orders during said Cumulation Period shall total less than $500.00, than the normal discount otherwise applicable under subparagraph (b) above shall not apply and Standard shall be charged for and shall pay the list price therefor.

(d) In the event Standard desires accelerated handling of any individual Purchase Order, it shall indicate clearly on the face thereof that it shall not be held for the Cumulation Period nor included in the cumulation total described in paragraph (c) above. In the event the Purchase Order is for $500.00 or over, the discounts listed in paragraph (b) above shall prevail and in the event the Purchase Order is for $25,000.00 or more, the discounts listed in paragraph (c) above shall prevail. In the event the Purchase Order is for less than $500.00, Standard will be charged the list price, with no discount.

(e) Delivery to Standard by Whittaker in all cases will be sixty (60) days later than otherwise indicated or established in the Catalog based on the effective order date. Whittaker shall have the right to establish at all times the minimum quantity per item which it will accept on any Purchase Order from Standard, which minimum Whittaker shall be reflected in the marked Catalog furnished to Standard as part of this Agreement or in subsequent amendments or bulletins. No minimum shall be increased unless Whittaker has given Standard ninety (90) days' written notice of the intended increase. minimums may be decreased without notice at the option of Whittaker. In addition to the foregoing, Whittaker at all times reserves the right to refuse Purchase Orders from Standard for any reason.

(f) Standard will maintain at all times a minimum inventory of and assemblies as set and established by Whittaker from time to time. Said minimum inventory will be reflected either on a marked Catalog furnished to Standard or on other data so furnished. Any such marked Catalog or other data reflecting said minimum inventory may be changed from time to time by Whittaker; provided, however, that in no event shall Standard be required to maintain an inventory of stock under the provisions of this subparagraph (f) in excess of a dollar value of $50,000.00. Nothing contained herein shall be deemed to modify in any way the provisions of this Agreement with respect to the minimum order quantities required to be purchased by Standard.

(g) Title to all Products delivered by Whittaker to Standard shall pass to Standard upon delivery at Whittaker's factory to a carrier designated by Standard, and the risk of loss of said Products shall be with Standard following passage of title thereto as hereinabove provided.

(h) Standard shall pay Whittaker for all Products purchased for its own account the prices as above with payment due Whittaker on the tenth of the month following the month of delivery of the Products.

(i) The resale price of all Products by Standard to its customers shall not exceed the price suggested by Whittaker for said Products.

5. PROMOTION

Whittaker shall furnish to Standard reasonable quantities of Whittaker sales promotional material and necessary overhaul and instruction manuals. Whittaker will inform its airline customers that Standard is its nonexclusive distributor and maintains a stock of the Products in the New York area.

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Whittaker shall not be responsible nor in any way held liable for the accuracy or interpretation of the literature provided Standard. Standard and Whittaker will use reasonable efforts to cooperate in the sales promotion of the Products and Standard is hereby authorized to publicize the fact that it is a nonexclusive distributor of Whittaker. In the event of termination of this Agreement as hereinafter provided, Standard will return all literature available to Standard upon the request of Whittaker.

6. TRADE-MARSK, TRADE NAMES, ET CERERA

Nothing contained in this Agreement shall confer upon Standard Any right to use the names "Whittaker", "Whittaker Technical Products", "Whittaker Controls", "Whittaker Controls and Guidance", or "Telecomputing Corporation", or their trade-marks or trade names, except as the distributor of Whittaker. Upon the termination of this Agreement as hereinafter provided, Standard agrees to remove, and not thereafter to use, signs, advertising, catalogs, or any other printed matter in its possession or under its control containing said names or their trade-marks or trade names. Standard, upon such termination will not use or permit the use of any such names, trade-marks, or trade names in any manner or in connection with any business conducted by it or in which it may be interested.

7. NONASSIGNABILITY

This Agreement shall not be transferred or assigned in whole or in part by Standard, and any attempt to assign or transfer this Agreement without the written permission of Whittaker shall make the total Agreement null and void.

8. OBLIGATING WHITTAKER

Nothing contained in this Agreement shall be construed as creating, nor is it the intent of the parties to create, the relationship or principal and agent, partnership, or joint venture between the parties, it being expressly understood that the parties are independent contractors and that this Agreement merely provides for the purchase of Whittaker Products by Standard for its own account. Standard shall not make any commitments of any kind for the account of Whittaker, as agent or otherwise, nor shall it assume or create any obligation, express or implied, on behalf of Whittaker or bind or purport to bind Whittaker in any respect.

9. AGREEMENTS AND WARRANTIES OF STANDARD

Standard agrees, warrants, and covenants that throughout the term of this Agreement:

(a) It is capable of and is legally licensed to transact business and sell Whittaker Products within the above defined territory;

(b) It will devote its best efforts to promote the sale and use of Whittaker Products and, if feasible, will establish qualified and competent sales coverage within the above assigned territory to secure adequate sales coverage for Whittaker Products, and will not handle or deal in products competitive to the Products of Whittaker;

(c) It will maintain efficient and competent office and sales personnel who will make available the stock of the Products whenever practible during all hours of the day;

(d) It will maintain a paying record and financial stability that will satisfy Whittaker's credit department.

10. WARRANTY

Whittaker grants to Standard the same warranty of the Products as Whittaker would grant on a sale of the same product to a domestic airline customer, the warranty to be the warranty then in effect as of the date of delivery of the product to Standard. Standard is authorized to grant an identical warranty to its domestic airline customer. Whittaker will keep Standard advised of its current warranties with respect to the several Products.

11. OBSOLESCENCE DUE TO ENGINEERING DESIGN AND CHANGES

Whittaker agrees that if any inventory acquired by Standard under the terms of this Agreement becomes obsolete or not salable due to a mandatory engineering change, Whittaker will have the obligation either to repurchase those parts at Standard's acquisition price or to replace them with salable inventory at no charge to Standard. Whittaker will have no obligation to repurchase or replace inventory that becomes obsolete due to aging.

12. TERMINATION

This Agreement and the distributorship hereby created may be terminated as follows:

(a) By an agreement in writing duly signed by both parties;

(b) By either party at will or without cause upon not less than thirty (30) days' written notice;

(c) In the event Standard shall breach any of the provisions of this Agreement on its part to be performed and fail to cure the same within five (5) days after notice in writing from Whittaker advising Standard of such breach, then Whittaker may forthwith terminate this Agreement;

(d) By either party in the event the other party ceases to function as a going concern, or to conduct its operations in the normal course of business, or a receiver is appointed or applied for by the party, or either party makes an assignment for the benefit of creditors, or a voluntary petition under the Federal Bankruptcy Act is filed, or an involuntary petition is so filed and is not dismissed within ten (10) days.

13. REPURCHASE OF INVENTORY IN EVENT OF TERMINATION

(a) In the event of termination under the conditions of paragraph 12(a), repurchase provisions shall be as set forth in such a written agreement;

(b) In the event of termination by Whittaker under conditons of paragraph 12(b), Whittaker shall have the obligation to repurchase all inventory, except that which is obsolete due to aging, purchased by Standard under the terms of this or the former agreement which Standard desires to sell to Whittaker at Standard's net acquisition cost and to make payment within thirty (30) days after receipt. In the event Standard does not desire to sell any or all of these Products to Whittaker, it is authorized to dispose of or sell these Products after the termination of the Agreement at the prices established in accordance with this Agreement;

(c) In the event of termination by Standard or termination under the provisions of paragraph 12(c), 12(d), or Whittaker provides at least five (5) months additional notice under 12(b), Whittaker shall have the right and option, but not the obligation, to repurchase from Standard any part or all of the Products in Standard's inventory acquired by Standard from Whittaker under the provisions of this Agreement or the former agreement, except for Products committed to fill particular Purchase Orders accepted by Standard prior to the effective date of termination. Whittaker shall promptly notify Standard of its election to exercise its option and Standard shall make available to Whittaker those Products which Whittaker so desires to repurchase.

(d) For all Products repurchased by Whittaker under the provisions of this paragraph 12, Whittaker shall pya for the same the net acquisition cost of Standard as reflected on the Purchase Orders issued by Standard to Whittaker and where the same cannot be specifically identified as relating to specific Purchase Orders, net acquisition cost shall be determined by evaluating Standard's inventory on the FIFO method of accounting. Whittaker shall pay for the Products so repurchased within thirty (30) days after delivery to Whittaker by Standard.

(e) Any Products not repurchased by Whittaker under the provisions of subparagraph (c) above shall remain the property of Standard and Standard shall have the right to Sell and dispose of the same at the established prices as provided herein.

14. NO LIABILITY FOR TERMINATION

Neither Whittaker nor Standard, by reason of the termination of this Agreement, shall be liable to the other for compensation, reimbursement, or damages on account of the loss of prospective profits on anticipated sales or on account of expenditures, investments, leases, or commitments in connection with the business or goodwill of Whittaker or Standard, or otherwise.

15. FAILURE TO ENFORCE

The failure of either party to enforce at any time or for any period of time the provisions hereof shall not be construed to be a waiver of such provisions or of the right of such party thereafter to enforce each and every such provision.

16. NO ORAL AGREEMENTS

The parties hereto declare that this Agreement constitutes the sole understanding by which their relationship with each other is to be governed, and that there are no oral agreements or representations between the parties. The terms and provisions of any Purchase Order issued by Standard shall in no way vary the terms of this Agreement, it being understood that this Agreement expressly supersedes the conditions contained in Standard's Purchase Order. This Agreement can be modified or varied only by an agreement in writing executed by an authorized representative of Whittaker and Standard.

17. NOTICES

All notices required or desired to be given under the provisions of this Agreement shall be meemed to have been so given when personally delivered or when placed in the mail, postage prepaid, properly addressed to the party at the addresses set forth below or at such other address as the party shall designate by a dully given written notice.

18. APPLICABLE LAW

This Agreement shall be deemed to have been entered into in the City of Los Angeles, State of California, United States of America, and this Agreement and all its provisions shall be interpreted and construed according to the laws of the State of California.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their responsible officers hereunto duly authorized.

WHITTAKER CORPORATION
TECHNICAL PRODUCTS DIVISION

ATTEST:

____

By W L Firestone

Typed name W.L. Firestone

Title Vice President and
General Manager

9601 Canoga Avenue
Chatsworth, California

STANDARD AIRCRAFT EQUIPMENT
COMPANY INCORPORATED

ATTEST:

____

By____________________

Typed name Louis J. Bollo

Title President

965 Stewart Avenue
Garden City, New York

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DX-Z

January 4, 1968

Mr. Frederick G. Space, Jr.
Product Line Director
Whittaker Corporation
Technical Products Division
9601 Canoga Avenue
Chatsworth, California 91311

Subject: Reacquisition of Whittaker Components

Dear Fred:

This will acknowledge your letter of December 15th, regarding the subject matter which was discussed in an August meeting at your plant.

I had suggested at the meeting that Whittaker give Standard their approval to purchase certain componentsparts on the surplus market that fitted into the following category: Spare parts on which Whittaker had no inventory, were not particularly interested in building due to the age of the part and small quantities involved but nevertheless would build against a lead time of sixteen (16) weeks or more.

Under a set of conditions as mentioned above, the airline becomes unhappy with the delivery quoted and the current price and sometimes seeks a surplus source which, if able to help, does, in fact, become a source of supply for other parts.

It is felt that by Standard buying the part that falls in this category on the surplus market we would be doing the airline a service and at the same time keeping them happy.

One thing, of course, that would have to be watched very carefully, would be that the part was of original Whittaker manufacture.

Should Whittaker wish to buy back certain new parts and/or units as a matter of convenience without getting directly

(continued)

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1162

involved in the surplus market, Standard could perform this service and would be willing to do so at a charge of 10% over cost. Cost is variable but generally when the part is available the cost runs between 40% and 60% of the last known price.

I would like to make it clear at this time that it is not our intention to expand into the surplusmmarket but rather to have the flexibility to give the airline customer the best possible service.

Very truly yours,

STANDARD AIRCRAFT EQUIPMENT CO., INC.

Louis J. Bollo
President

LJB:pac

cc: M. Fallon, Whittaker

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EXHIBIT 23
#D
12/8/71 W.S.

CORPORATION
TECHNICAL PRODUCTS DIVISION
9601 Canoga Ave., Chatsworth, California 91311 • (213) 341-0800

February 21, 1968

Standard Aircraft Equipment Company, Inc.
969 Stewart Avenue
Garden City, New York 11530

Attention: Mr. Louis J. Bollo
President

Subject: Reacquisition of Whittaker Components

Reference: Your Letter of January 4, 1968

Dear Lou:

Your letter had been reviewed by the Management of the Technical Products Group at Whittaker. It is the consensus of opinion that such a policy is contrary to the intent of a distributorship program.

In view of this, we are holding firm to our present Standard Aircraft agreement in that Standard is to handle only factory new hardware procured from Whittaker. Any evidence of supplying surplus material is and will continue to be a breach of the distributorship agreement and could jeopardize your position as Whittaker's only other distributor.

It is recommended that any particular areas of severe customer criticism should be referred to us immediately for action.

Sincerely,

WHITTAKER CORPORATION
Technical Products Division

Frederick G. Space, Jr.
Product Line Director, Aircraft Controls

FGS:mc
cc: W. L. Firestone

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EXHIBIT 30
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10/24/71 W.F

Eclipse-Pioneer Division

TETERBORO, NEW JERSEY 07608 TELEPHONE (201) 288-2000

March 15, 1967

Mr. J. Bollo
Standard Aircraft Equipment Co., Inc.
969 Steward Avenue
Garden City, L. I., N. Y.
11533

Subject: Boeing 747 Airplane

Dear Jerry:

The Bendix Navigation & Control Division has been engaged in a very stiff competition since August of last year for many systems on the Boeing 747 airplane. We have been fortunate on some and not so on others. As of this date, we have been awarded the Central Air Data Computer system, the Radio Magnetic Indicator and approximately one-half of the Integrated Electronic Flight Control System, i.e., the Mach Trim System, Throttle Control System, and Stability Augmentation System. We have hopes of picking-up the Air Data Readout Instrumentation, i.e., attitude, static air temperature, true air speed and mach number as well as some customer options on flight director and vertical scale instrumentation. The vertical scale instrumentation could be for both air data readout as well as engine readout.

The loss of the Autopilot/Flight Director Computer portion of the Integrated Electronic Flight Control System was a disappointment. This as you probably have already heard, has been awarded to The Sperry Phoenix Company. Although we tried very hard, we did not have sufficient background and image for the Inertial Navigation System. This has been awarded to the A.C. Division of General Motors. The Instrument Warning System and Horizon Situation Indicator went to Collins Radio and the Attitude Direction Indicator went to Lear Siegler. The Horizon Situation Indicator and Attitude Direction Indicator get their computation from the Autopilot/Flight Director System.

Summing it all up, we scored about 50% on our heavy probables and our package is in excess of $60,000 per airplane. This is not a final figure as we are still negotiating changes on both the Integrated Electronic Flight Control System and Central Air Data Computer.

The competition was particularly rough and the airframe manufacturer got considerable concessions from all the suppliers in non-recurring write-offs as well as long term pricing. In some cases, we were forced to give airlines similar terms and conditions under separate agreements. We have not, as yet, sorted out our recovery program and will not be able to do this until we finish all negotiations.

It is our intention to have our distributors participate with Navigation & Control Division on the initial provisioning and handle all spare orders. The financial arrangements on the initial provisioning, we plan to present to you at the next ADMA meeting. We will put out some brief descriptive material with a tentative price schedule on the equipment in the next few weeks in order to get everyone aboard as soon as possible.

Enclosed for your information only is a copy of our General Product Support Plan dated January 30, 1967, which was forwarded to all 747 customers, and also enclosed are copies of special agreements offered to Pan American. Your comments on the enclosed material would be appreciated.

Very truly yours,

BENDIX CORPORATION
NAVIGATION & CONTROL DIVISION

Rex

Rex R. Hamilton
Sales Manager
Aircraft Avionics - Commercial

RRH:lfk

Enclosures

PLF DX-CC

EXHIBIT 32
10/24/71

MEMORANDUM

TO: J. J. Bollo
J. E. Ruchia
S. L. Fronckwicz
G. Malafronte (4)
G. V. Martin (3)
S. J. Evans (2)
W. M. Johnson
W. P. Bowling
P. X. Campbell
L. Willenbacher
J. L. Thompson
W. C. Dayley
F. W. Bohling
W. J. Kossuth
P. L. Bollo, Standix

FROM: L. J. Bollo

DATE: May 15, 1969

SUBJECT: Navigation & Control Div.
Change in UnitsSales Policy
Code 022

The following changes go into effect immediately on Navigation & Control (formerly Eclipse Pioneer) units:

1. We are not to quote at all on units that will be used on the 747 and DC10 aircraft.

2. On units used on all aircraft prior to the 747 and DC10, such as the 707, Lockheed Electra, 1049, etc., units are to be quoted at the Navigation & Control suggested Net prices only - Terms are to be Net 10th Prox. - Delivery is to be that quoted by Navigation & Control, which is generally 180 days.

3. Absolutely no inventory is to be carried.

4. Any order accepted is to be treated as a courtesy to our customer not as a profit making deal.

Louis J. Bollo

L. J. Bollo

LJB:pav

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WHOLESALE DISTRIBUTOR AGREEMENT

Agreement made this 30th day of October, 1969 between NARCO SCIENTIFIC INDUSTRIES, INC., AVIONICS DIVISION (hereinafter called "Narco Avionics") and Standard Aircraft Equipment Company, Inc. having its principal office located at Garden City, Long Island, New York (hereinafter called "Distributor").

The parties intending to be legally bound agree as follows:

1. Narco Avionics hereby appoints Distributor as a wholesale distributor for sale to the general aviation market of those products which Narco Avionics sells through wholesale distributors including spare parts and accessories associated therewith.

2. Distributor accepts the appointment and agrees that it will use its best efforts to promote the sale of the products covered by this agreement, and will make every effort to attain sales objectives set forth by Narco Avionics. Further, Distributor agrees to carry on its activities hereunder in accordance with the Narco Wholesaler Marketing Guidance Memo previously issued by Narco Avionics and such supplemental or revised guides as Narco Avionics may issue in the future.

3. Narco Avionics will sell its products covered by this Agreement to Distributor at such prices and upon such terms and conditions of sale as may be established from time to time by Narco Avionics, which prices, terms and conditions of sale may be changed at any time by notice to Distributor as promptly as possible.

but failure to do so for any cause whatsoever shall not make Narco Avionics liable or responsible to Distributor in any way.

4. Narco Avionics will from time to time appoint Warranty Sales and Service Dealers who will provide service support for Narco Avionics products, such appointments being based on qualifications established by Narco Avionics. Narco Avionics will advise Distributor from time to time of changes in such appointments.

5. As a matter of policy, Narco Avionics presently issues warranty certificates to purchasers of Narco Avionics products and the cost of repairing or replacing parts found to be defective within the warranty period is shared by Narco Avionics and its wholesale distributors. By accepting appointment hereunder, Distributor indicates its acceptance of this policy and willingness to participate with Narco Avionics in sharing the financial obligations of the warranty system so long as Narco Avionics maintains such a program. Changes in the program will be made by written notice to Distributor; continuance as a Distributor after receipt of any such notice shall be deemed an acceptance by Distributor of the changes set forth therein.

6. If requested to do so, Distributor shall furnish to Narco Avionics duly certified financial statements and such other financial data as may be reasonably required to establish the financial responsibility of Distributor to the satisfaction of Narco Avionics.

7. Distributor is engaged in an independent business and is not an agent or employee of Narco Avionics. Distributor has no authority to bind Narco Avionics in any manner whatsoever.

8. This Agreement may be terminated by either party at any time, with or without cause, by giving notice thereof to the other

party. Upon termination of this Agreement:

(a) Distributor shall promptly pay to Narco Avionics any sums owed to Narco Avionics for purchases previously made and any other amounts which may be due.

(b) All orders previously submitted to Narco Avionics which have not been shipped shall be considered cancelled as of the date of such termination and neither party shall thereafter be under any obligation to the other with respect to such orders.

(c) Narco Avionics shall have the right to repurchase from Distributor and Distributor shall resell and deliver to Narco Avionics upon demand such Narco Avionics products held in stock by Distributor as Narco Avionics shall elect to repurchase. Narco Avionics shall notify Distributor of its intention to repurchase any such products within thirty days after receipt from distributor of an accurate inventory accounting of Narco Avionics products. The repurchase price shall be the price paid by Distributor to Narco Avionics for such products, except for obsolete inventory (products no longer manufactured by Narco Avionics) with respect to which the repurchase price shall be 50 percent of the price paid by Distributor to Narco Avionics.

(d) Distributor will remove and not thereafter use signs bearing the name or trademark "Narco". Distributor will not thereafter use or permit to be used the word "Narco" in connection with any business conducted by Distributor or in which Distributor has an interest (except to refer to Narco Avionics products not repurchased by Narco Avionics and still in Distributor's inventory). Distributor will take all appropriate steps to remove and cancel all listings in telephone books, other directories and public records which contain the name "Narco" and if Distributor fails to do so, Narco Avionics may apply for such removals or cancellations on behalf of Distributor.

9. Distributor may not assign this Agreement or any of its rights hereunder without prior written consent of Narco Avionics.

10. This Agreement shall be construed in accordance with, and all rights and obligations hereunder shall be governed by, the laws of Pennsylvania. This constitutes the entire Agreement between the parties and supersedes any prior agreements or understandings. It may be amended only by a writing signed by both parties.

NARCO SCIENTIFIC INDUSTRIES, INC.
AVIONICS DIVISION

By: ______________________

(DISTRIBUTOR)
STANDARD AIRCRAFT EQUIPMENT CO., INC.

By: ______________________
President

November 25, 1969

0049

DX-EE 1171

AGREEMENT

THIS AGREEMENT entered into this First (1st) day of August, 196 between STANDARD AIRCRAFT EQUIPMENT COMPANY (hereinafter referred to as Standard) and EASTERN AIR LINES, INCORPORATED (hereinafter referred to as Eastern).

WITNESSETH

WHEREAS, Standard desires to sell to Eastern all DC8, Bendix Energy Control Division wheels, brakes and all replacement parts, and

WHEREAS, Eastern desires to purchase from Standard all DC8, Bendix wheels, brakes, and replacement parts,

NOW, THEREFORE, the parties hereto agree as follows:

1. This agreement covers the 24 month period between September 1, 1969 and August 31, 1971.

2. Prices are to be as shown on Standard's proposal, dated June 23, 1969, in response to Eastern's Bid Control No. 06692.

3. Standard will hold prices firm for the duration of this agreement.

4. In the event of any price decreases during the period of this agreement, Eastern will be extended the lower prices after depletion of the reserved, on-hand inventory.

5. Terms are 2% 10th Proximo, Net 30 Days.

6. Standard offers an additional one and one-half (1½) percent discount on all deliveries to our Miami facility.

7. Standard offers an additional two (2) percent discount on all deliveries to our John F. Kennedy facility.

8. Material will be FOB any Eastern facility within the continental United

9. In the event Standard does not deliver within ten (10) working days after the specified delivery date, Standard will penalize themselves 1% per day up to the maximum 5% of the net invoice amount for that item, and issue a credit of that amount to Eastern. Exclusions: Factors beyond Standard's control, such as: strikes and Acts of God.

10. Eastern will have the option of returning, annually, ten (10) percent of material purchased in the preceding twelve (12) months. Exclusions: Obsolete material and items out of cure date.

11. Standard's inventory will consist of a 120-day supply of all repetitive items, based upon usage figures furnished by Eastern.

12. Standard will stock insurance items at a level mutually agreeable to both Standard and Eastern.

13. Standard will provide 24 hours per day, 7 days per week, including holiday coverage, at both the Miami and John F. Kennedy facilities.

14. Maximum delivery time will be:

a. Miami

AOG shipments - 2 hours.

Normal shipments - on or before Eastern's required date.

b. John F. Kennedy

AOG shipments - 4 hours.

Normal shipments - on or before Eastern's required date.

15. Standard accepts Eastern's standard indemnification clauses:

Patent Protection - By accepting this order, the Seller agrees to and hold harmless and protect the Buyer, its successors, assigns, customers, and the of its products, from and against all loss, liability claims, demands and suits, at l or equity and costs of such suits including attorneys fees for actual or alleged inf of the articles hereby ordered. If any of the articles ordered purport to be protected by one or more patents, and a decree or judgement be entered in a court of competent jurisdiction holding invalid any such patents or any of the protection which it purport to give, this contract may forthwith be cancelled by the Buyer.

Insolvency and Cancellation - In the event of any suspension of payment or institution of any proceedings by or against either party, voluntary or involuntary, in bankruptcy, or insolvency, or under the provisions of Chapter 10 or 11 of the United States Bankruptcy Act, or for the appointment of a receiver or trustee or an assignee for the benefit of creditors, of the property of either party, or in the event of the breach of any of the terms hereof including the warranties of the Seller, the other par shall be entitled to cancel this contract forthwith.

16. Standard will provide monthly reports to Eastern consisting of:

a. Total Shipments. (Separate report for Miami and John F. Kennedy.)

b. Dollar Value.

c. By EAL Part Number.

d. Cumulative by Month.

17. Standard agrees to periodic facility inspection (both J. F. Kennedy and Mi by appropriate Eastern personnel.

18. Should Eastern cancel the agreement prior to April 30, 1971, the responsibi for ordering the reserved inventory (120 days) until depleted would remain with Easter

19. Method of procuring material to consist of one or more of the following methods;

a. Blanket Purchase Order.

b. Standard Purchase Order.

c. Release Form 14-CG-0085 against
Blanket Purchase Order.

d. Phone Release. (Emergency Situation Only.)

IN WITNESS WHEREOF, the parties hereto have executed the agreement as of the day and year first above written.

ATTEST:

EASTERN AIR LINES, INCORPORATED (BUYER)

W. A. Breidenbach

W. A. Breidenbach
Staff Vice President - Purchasing

ATTEST:

STANDARD AIRCRAFT EQUIPMENT COMPANY (SEL

Jerry Bollo

Jerry Bollo
Senior Vice President

#54

DX- FF

0071

PB 1

Bendix

The Bendix Corporation
Executive Offices
Fisher Building
Detroit, Michigan 48202

Tel (313) 875-[illegible]

MASTER DISTRIBUTOR SALES AGREEMENT

THIS AGREEMENT entered into this First day of April, 1969, by and between THE BENDIX CORPORATION, a corporation organized and existing under the laws of the State of Delaware, having the Central Office at Detroit, Michigan, (hereinafter termed "the COMPANY",) and Standard Aircraft Equipment Co., Inc. of the City of Garden City, County of Nassau, State of New York, (hereinafter termed "the DISTRIBUTOR").

WITNESSETH:

In consideration of the mutual covenants herein contained the parties hereto agree as follows:

Authorized Distributor Appointment

1. The COMPANY hereby appoints the DISTRIBUTOR an Authorized DISTRIBUTOR of Bendix products for the United States of America and the DISTRIBUTOR accepts the appointment under the terms and conditions hereinafter set forth.

Distributor Not Company's Agent

2. This Agreement does not constitute the DISTRIBUTOR an agent or legal representative of the COMPANY; [illegible] to [illegible] bind the COMPANY in any respect; and the DISTRIBUTOR assumes entire responsibility for all work and services performed by him as a DISTRIBUTOR of the COMPANY'S products. The DISTRIBUTOR will indemnify the COMPANY against any and all damage, loss or expense of whatever nature sustained by it by reason of the acts of the DISTRIBUTOR or his agents or employees.

RECEIVED

BEST COPY AVAILABLE

Products and Discounts

3. The DISTRIBUTOR is authorized to sell the Bendix products listed on the "Products and Discount Schedule", attached hereto and made part hereof, as it may from time to time be revised or modified by the COMPANY. The "Products and Discount Schedule" will be administered by each Bendix Division represented.

Non-exclusive

4. The DISTRIBUTORSHIP created hereby is non-exclusive.

Customer Good Will

5. The DISTRIBUTOR will exert his best efforts in cooperation with the COMPANY and its representatives to foster the sale of Bendix products and promote the good will of the COMPANY within the United States of America. The DISTRIBUTOR agrees that he will notify the COMPANY of all matters of importance coming to his attention relating to the COMPANY'S products.

Maintenance of Distributor Sales Organizations

6. The DISTRIBUTOR agrees to maintain appropriate and adequate sales organizations qualified to sell and to instruct dealers in the sale of the products listed on the "Products and Discount Schedule". The DISTRIBUTOR likewise agrees to maintain a representative and adequate stock of all such products and replacement parts therefor.

Signs

7. The DISTRIBUTOR will erect and maintain at his own expense, in a conspicuous place, an authorized sales sign as approved by the COMPANY.

Sale of Genuine Parts

8. The DISTRIBUTOR agrees to sell as Bendix parts only new, genuine Bendix parts and products or Bendix recommended or approved parts and products.

Use of [illegible]

9. The DISTRIBUTOR agrees not to use the word "[illegible]" in its [illegible] to permit any of its dealers to use any such word in their trade names or corporate names. It is understood that this provision shall likewise apply to each and all other trade names of products manufactured by Divisions, Subsidiaries and Affiliates of The Bendix Corporation.

Submission of Inventory

10. The DISTRIBUTOR will submit an inventory of his stock of Bendix products to the COMPANY upon request and will permit COMPANY representatives to inspect such stock at reasonable times during regular business hours.

Service Repair Station Appointment and Registration

Standard?

11. The DISTRIBUTOR will appoint authorized service stations for the sale, installation, servicing and repair of Bendix products at appropriate places. The COMPANY shall specify minimums of equipment and capability to qualify an authorized service station. The COMPANY, at the request of the DISTRIBUTOR, shall assist the DISTRIBUTOR in determining the technical qualifications of the prospective service station. The names and addresses of all authorized service stations so appointed shall be registered immediately at the office of the producing division.

Service Repair Station Facilities

12. The DISTRIBUTOR will require all authorized service stations appointed by him as provided for herein to maintain a suitable workshop adequately equipped with tools, machinery and testing apparatus to render efficient service on Bendix products and to erect and maintain, without cost to the COMPANY, authorized sales and service signs approved by the COMPANY. At the request of the DISTRIBUTOR, the COMPANY will provide technical assistance to the DISTRIBUTOR to determine the continued qualification of the appointed service station. Upon the termination or cancellation of any service station appointment the DISTRIBUTOR agrees to use his best efforts to have such service station cease advertising as an authorized seller of the COMPANY'S products and to have him remove all related COMPANY signs and displays from his place of business.

Company Assistance

13. The COMPANY, without charge, will supply the DISTRIBUTOR with information and instructions with respect to Bendix products and will arrange for such instruction of mechanics employed by authorized service stations as in the judgement of the COMPANY may be required.

Warranty

14. The COMPANY'S obligation is defined by separate warranty terms applicable to specific products or product lines attached hereto.

Unsatisfactory Material Report

15. Any defective unit or part coming within the scope of the foregoing warranty must be forwarded, properly identified, to the COMPANY by the DISTRIBUTOR together with an Unsatisfactory Material Report.

Returns for Credit

16. No products may be returned for credit to the COMPANY without its prior consent in writing. For accepted returns a credit will be allowed by the COMPANY equivalent to the current list price in effect on the date of the return less the applicable discount in the current "Products and Discount Schedule" attached hereto, less an additional handling charge, and a reasonable allowance to put the same into salable condition. All returns shall be F.O.B., plant of origin.

Excusable Delays

17. Shipping dates given prior to shipment shall be deemed to be estimated only, and the COMPANY shall not be liable for failure to meet such dates or even for its failure to produce, ship, supply or deliver products pursuant to any accepted order, except for such failures resulting from gross negligence of the COMPANY.

Company Retains Title to All Products Not Paid for in Full

Extension of Credit by the Company

18. It is specifically understood and agreed by both parties hereto that title to any and all goods delivered by the COMPANY to the DISTRIBUTOR during the term of the Agreement (or delivered thereafter) shall remain vested in the COMPANY until the COMPANY shall have received payment in full for the same, and it is further agreed that upon failure to make payment in full for any of said goods in the manner provided by the COMPANY, the COMPANY may repossess and take any said goods. The COMPANY may, but shall not be bound to, extend credit to the DISTRIBUTOR, and it may, in its sole discretion, change or withdraw at any time any credit terms previously extended to the DISTRIBUTOR. Should at any time indebtedness owing by the DISTRIBUTOR

to the COMPANY be due and unpaid, the COMPANY may, at its option, withhold further shipments or deliveries to the DISTRIBUTOR until all indebtedness to the COMPANY shall have been fully paid; and in the event that any such indebtedness shall be more than fifteen (15) days past due, the COMPANY may, at its election, terminate this Agreement upon five (5) days written notice to that effect.

Termination Causes Debts to Become Due and Payable

In the event this Agreement is terminated without a new DISTRIBUTORSHIP Agreement being entered into, all indebtedness of whatever nature of either party to the other shall become due and owing upon the date of termination, regardless of the terms under which such indebtedness was created.

Mutual Right of Termination without Cause

19. This Agreement and the DISTRIBUTORSHIP created by it may be terminated by either party;

(a) With or without cause, upon thirty (30) days notice in writing given by registered mail or personal delivery;

Termination for Cause

(b) In the event the DISTRIBUTOR attempts to assign this Agreement or any rights hereunder without the COMPANY'S prior written consent, or the DISTRIBUTOR ceases to function as a going concern, or a receiver is appointed for it or applied for, or a petition is filed by or against it under the Federal Bankruptcy Act, or it makes an assignment for the benefit of creditors, or it violates any of the provisions of this Agreement--upon one (1) day's written notice given in like manner as set forth in (a) above.

Delivery of Records and Assignment of [illegible] Termination of Agreement

20. Within ten (10) days of the termination of this Agreement and the DISTRIBUTORSHIP created hereunder, the DISTRIBUTOR shall turn over to the COMPANY all DISTRIBUTOR'S sales, product and service records, customer lists, and other records and [illegible] relating to sales and service of said products. The DISTRIBUTOR shall assign and deliver to the COMPANY, all unfilled orders

and contracts (together with advance payments thereon, if any) for the purchase of such products from the DISTRIBUTOR; provided, however, that the COMPANY may reject any such order or contract specifying prices, terms or other provisions of which are not acceptable to the COMPANY, or providing for delivery more than ninety (90) days after such termination.

Reimbursement by Company for Expenses

The COMPANY, as compensation therefor, will reimburse the DISTRIBUTOR for its out-of-pocket expenses incurred in connection with such orders or contracts, the assignment of which is accepted by the COMPANY, provided such expenses do not exceed fifty per cent (50%) of the difference between the selling price and DISTRIBUTORS' cost of such products. Such reimbursement shall be made within thirty (30) days after delivery of such products as shall be accepted by the purchasers thereof under such orders or contracts.

Repurchase of Goods on Hand

The COMPANY may, at its option, repurchase from the DISTRIBUTOR at the net price paid by the DISTRIBUTOR to the COMPANY or at the COMPANY'S then current net price to its DISTRIBUTORS generally, whichever is lower, plus actual freight charges thereon, any or all (as the COMPANY may elect) new and unused products and repair and replacement parts therefor, as well as sales promotion and advertising material, then in the possession of the DISTRIBUTOR; and upon demand, the DISTRIBUTOR shall be obligated to deliver such goods to the COMPANY, and the option price therefor shall be payable (in cash or credit against any indebtedness then owing the COMPANY by the DISTRIBUTOR) within ten (10) days after such delivery.

Prior Right of Inspection and Right to Reject

The COMPANY reserves the right to inspect such merchandise before the exercise of such option and it may reject any of such products or parts which, in the opinion of the COMPANY, shall not be in first class condition and salable as new merchandise.

No Anticipated Profits Payable [illegible] of Termination or

21. In the event this DISTRIBUTORSHIP and the Agreement evidencing it is terminated, neither party shall by reason thereof be liable to the other for compensation or damages of any kind

Expiration of Agreement

or character whatsoever, whether on account of the loss of present or prospective profits on sales or anticipated sales, or expenditures, investments or commitments made in connection therewith or in connection with the establishment, development, or maintenance of DISTRIBUTOR'S business, or on account of any other cause or thing whatsoever; provided, however, such expiration shall not prejudice or otherwise affect the rights or liabilities of the parties with respect to merchandise sold to the DISTRIBUTOR, or any indebtedness owing by either party to the other, except as is otherwise provided for in paragraph 18 hereof for the payment of any such indebtedness.

Advertising to Cease Upon the Conclusion of Distributorship

22. Upon termination of this Agreement, the DISTRIBUTOR agrees to no longer represent himself in any way as a dealer or DISTRIBUTOR of the COMPANY'S products, nor to display any signs or advertising relative thereto, and DISTRIBUTOR agrees that at no time after the termination of this Agreement shall its conduct be such as to reflect discredit upon the COMPANY or products manufactured by the COMPANY.

Product Changes

23. Without incurring any obligation to the DISTRIBUTOR, the COMPANY reserves the right to discontinue any model or product, or alter the design thereof; to add new and additional products to its lines; and to change its general sales and distribution policies.

Waiver

24. The failure of either party at any time to require performance by the other party or any provision hereof shall in no way affect the full right to require such performance at any time thereafter; nor shall the waiver by either party of a breach of any provision hereof be taken or held to be a wai- [illegible] provision, or as a waiver of the provision itself. If any provision of this Agreement is held invalid, the remainder of this Agreement shall not be affected thereby, and that any provision or provisions which

in any way contravene any law of the United States or Territories of the United States or of the State of States in which the appointment is made or of any foreign government, shall be deemed separable and not to be a part of this Agreement of the appointment which it evidences.

Law Governing

25. The appointment made hereunder and all of the provisions of this Agreement are to be governed by and construed according to the laws of the State of Michigan.

Execution

26. This Agreement shall not be effective or binding upon the COMPANY until executed on its behalf by an authorized officer of the COMPANY, or by the Director or Manager of its Sales Department. No modification, extension, renewal, recision, or waiver of any of the provisions herein contained, or any future representation, promise or condition in connection with the subject matter hereof shall be binding upon the COMPANY unless made in writing and signed in its behalf as indicated above.

Business Changes

27. The DISTRIBUTOR agrees to notify the COMPANY at once of any change in location, nature of business or other circumstance which may in any way affect the terms of this contract.

Sole Agreement

28. Both parties hereto declare that there are no oral or other agreements, arrangements, representations or understandings between them and that this Agreement constitutes the only understanding by which their relationship with each other is to be governed. It is agreed that any term, provision or condition contained in any purchase order received from the DISTRIBUTOR by the COMPANY which shall be inconsistent with any of the provisions herein set forth shall be of no force or effect and shall not be binding upon the COMPANY unless such condition is specifically accepted or approved in writing on its behalf as provided in paragraph 25 hereof. A mere acknowledgement of any such purchase order, or the making of deliveries pursuant thereto shall in no case be construed as such an acceptance or approval.

The Bendix Corporation

Disputes or Differences

29. Any and all disputes arising under, out of, in connection with, or in relation to, this Agreement shall be submitted to arbitration by the American Arbitration Association, and such arbitration shall be conducted in accordance with and pursuant to the Rules of the American Arbitration Association, including any claim of breach of this Agreement in whole or in part.

Marginal Titles

30. It is understood and agreed by the parties hereto that the descriptive titles appearing in the margin of this Agreement are inserted solely for purposes of convenience of reference and are in no manner to be construed as a part of the Agreement

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year written above.

THE BENDIX CORPORATION

CENTRAL OFFICE

By L. B. Young

Vice President - Aerospace Marketing
Official Title

DISTRIBUTOR

Standard Aircraft Equip. Co., Inc.

Garden City, New York 11530

by

President
Official Title

THE BENDIX CORPORATION

1185 0031

PRODUCT AND DISCOUNT SCHEDULE

1. The COMPANY agrees to sell to the DISTRIBUTOR Electrical Components Division products listed below at the discounts shown for such products in this schedule.

2. All prices are F.O.B. the factory located at Sidney, New York.

PRODUCT	DISCOUNT	PRODUCT	DISCOUNT
Units	C.D. Net		
Spare Parts *	C.D. Net		
Elec. Connectors	C.D. Net		
Tools	Unit Net Less 20%		
*Net Prices on Spare Parts			
reflect approximately 2.5%			
for Overstock & Obsolescence			
allowance.			

Cash Discount Terms: 2% 20th Proximo

Electrical Components Division

The Bendix Corporation

By
John C. Youmans
Director of Marketing
Official Title

Date: March 28, 1969

Revised:

DISTRIBUTOR

Standard Aircraft Equipment Co., Inc.

Garden City, New York [illegible]

By

President
Official Title

THE BENDIX CORPORATION

PRODUCT AND DISCOUNT SCHEDULE

1. The COMPANY agrees to sell to the DISTRIBUTOR Electric Power Division products listed below at the discounts shown for such products in this schedule.

2. All prices are F.O.B. the factory located at Eatontown, New Jersey or Bloomington, Illinois.

PRODUCT	DISCOUNT	PRODUCT	DISCOUNT
Discounts listed below apply	to all	Discounts listed below ap	ply to
products except those used on	the	747 Equipment only. They	will
747		prevail until all airlines	have com-
		pleted initial provisioning.	There-
		after, we will revert back	to our
		regular Discount Schedule	as shown
		to the left.	
Generators (all types)	50%	747 Generators	42-1/2%
Volt. Regulators (all types)	50%	747 Control Unit	42-1/2%
Control Panels (all types)	50%	747 Bus Pro. . Panel	42-1/2%
Inverters	50%	747 C.T.	42-1/2%
Misc. Complete Units	50%	Spare Parts	55%
Spare Parts	55%	Tools	50%
Tools & Test Equipment	55%	Test Equipment	40%

Cash Discount Terms: Net 10th Prox.

Electric Power Division

THE BENDIX CORPORATION

By N.P. Barry

Director of Sales and Service
Official Title

Date: 3-20-69

Revised:

DISTRIBUTOR

Standard Aircraft Equipment Co., Inc.

Garden City, New York [illegible]

By

President

0083

1187

THE BENDIX CORPORATION

PRODUCT AND DISCOUNT SCHEDULE

[illegible] rees to sell to the DISTRIBUTOR Electrodynamics

[illegible] sion products listed below at the discounts shown for such

[illegible] chedule.

All [illegible] F.O.B. the factory located at North Hollywood, California

PRODUCT	DISCOUNT	PRODUCT	DISCOUNT
[illegible] ves	50%	List Less	40%
[illegible] Actuators			
[illegible] (bits & pieces)	60%	List Less	45%
[illegible] ipment	[illegible]	List Less	45%
	747	PROGRAM	
leron Actuators	42.5%	List Less	40%
(bits & pieces)	60%	List Less	45%
st Equipment	50%	List Less	40%

[illegible] h Discount Terms: Net 10th Proximo

Electrodynamics Division

DISTRIBUTOR

Standard Aircraft Equipment Co., Inc.

Garden City, New York [illegible]

By

Title

1188

0094

THE BENDIX CORPORATION
[illegible], MICHIGAN U.S.A.

PRODUCT AND DISCOUNT SCHEDULE

1. The COMPANY agrees to sell to the DISTRIBUTOR Energy Controls Division products listed below at the discounts shown for such products in this schedule.

2. All prices are F.O.B. the factory located at South Bend, Indiana

PRODUCT	DISCOUNT	PRODUCT	DISCOUNT
Wheel & Brake Parts		Fuel Metering	
Net Price List Effective 9/1/69		Parts List Less	60%
Category #1		Units List Less	50%
Linings, Rotors, and Stators			
Published Net Price Less	16.7%	Strut	
Category #2		Parts List Less	60%
All Other Parts Except Carriers		Units List Less	50%
Torque Tubes, & Wheel Halves			
Published Net Price Less	27.3%		
Category #3			
Carriers, Torque Tubes, and			
Wheel Halves			
Published Net Price Less	7.0%		

Cash Discount Terms: Net 10th Prox.

THE BENDIX CORPORATION

By J. D. Gibboney

Director of Service
Official Title

Date:

Revised: Effective September 1, 1969

DISTRIBUTOR

Standard Aircraft Equipment Co., In
969 Stewart Avenue
Garden City, New York 11530

By

Official Title

THE BENDIX CORPORATION

PRODUCT AND DISCOUNT SCHEDULE

1189 10085

1. The COMPANY agrees to sell to the DISTRIBUTOR Environmental Science Division products listed below at the discounts shown for such products in this schedule.

2. All prices are F.O.B. the factory located at Towson, Baltimore, Md.

PRODUCT	DISCOUNT	PRODUCT	DISCOUNT
Magnesyn Indicator and	50%		
Transmitters (except flow			
meters)			
Magnesyn Spare Parts	50%		
Magnesyn Service Tools	10%		
and Test Equipment			

Cash Discount Terms: Net 10th Prox.

Environmental Science Division

THE BENDIX CORPORATION

By

[illegible]

Official Title

Date: [illegible]

Revised:

DISTRIBUTOR

Standard Aircraft Equipment Co., Inc.

Garden City, New York 11530

By

President

Official Title

THE BENDIX CORPORATION

PRODUCT AND DISCOUNT SCHEDULE

1. The COMPANY agrees to sell to the DISTRIBUTOR Filter Division products listed below at the discounts shown for such products in this schedule.

2. All prices are F.O.B. the factory located at Madison Heights, Michigan.

PRODUCT	DISCOUNT	PRODUCT	DISCOUNT
All Filter Products	*		
*Distributor Net (Per Latest			
Price List)			

Cash Discount Terms: None--Net 10th Prox.

Filter Division

THE BENDIX CORPORATION

By

Program Manager
Official Title

Date: March 26, 19[illegible]

Revised:

DISTRIBUTOR

Standard Aircraft Equipment Co., Inc.

Garden City, New York 11530

By

[illegible]

THE BENDIX CORPORATION

PRODUCT AND DISCOUNT SCHEDULE

1. The COMPANY agrees to sell to the DISTRIBUTOR Flight & Engine Instruments Division products listed below at the discounts shown for such products in this schedule.

2. All prices are F.O.B. the factory located at South Montrose, Pa. 18843

PRODUCT	DISCOUNT	PRODUCT	DISCOUNT
Pressure Transmitters	50%	Spare components	50%
Position Transmitters	50%	necessary to support	less 5%
Synchro Indicators	50%	the listed products	
Servoed Indicators	50%		
Tachometer Indicators	50%		
Pressure Switches	50%		

Cash Discount Terms: Net 10th Prox.

Flight & Engine Instruments Division	DISTRIBUTOR
THE BENDIX CORPORATION	Standard Aircraft Equipment Company, Inc.
H. C. Douglas	Garden City, New York [illegible]
By H. C. Douglas	
Director of Sales & Service Official Title	
Date: February 3, 1969	By

1192

0083

THE BENDIX CORPORATION

PRODUCT AND DISCOUNT SCHEDULE

1. The COMPANY agrees to sell to the DISTRIBUTOR Fluid Power Division products listed below at the discounts shown for such products in this schedule.

2. All prices are F.O.B. the factory located at Utica, New York.

PRODUCT	DISCOUNT	PRODUCT	DISCOUNT
De-icer System Components		Pumps	
Ejectors	50%	Air	50%
Electronic Timers	50%	Fluid Metering	50%
Oil Separators	50%		
Valves	50%		
Vapor Filters	50%		
Other Related Components	50%		
		Spare Parts	55%
Engine Starting Equipment			
Booster Coils	50%		
Electric Starters	50%	Service Test Equipment	
(Reciprocating Engine Type)		and Tools	10%

Cash Discount Terms: Net 10th Prox.

Fluid Power Division

BENDIX CORPORATION

Director of Marketing
Title

Date

DISTRIBUTOR

Standard Aircraft Equipment Co., Inc.

Garden City, New York 11530

By

President
Official Title

THE BENDIX CORPORATION

1193 (0680)

PRODUCT AND DISCOUNT SCHEDULE

1. The COMPANY agrees to sell to the DISTRIBUTOR Instruments & Life Support Division products listed below at the discounts shown for such products in this schedule.

2. All prices are F.O.B. the factory located at Davenport, Iowa.

PRODUCT	DISCOUNT	PRODUCT	DISCOUNT
Accelerometers	50%	Oxygen Flow Indicators	50%
Altimeters	"	Oxygen Regulators	"
Airspeed Indicators	"	Oxygen Masks	"
Machmeters	"		
Turn & Slip Indicators (Air Driven)	"	Spare Parts	50%
Turn & Slip Indicators (Electrical)	"		
Vertical Velocity Indicators	"	Test Equipment	10%
Fuel Flow Indicators	50%		
Fuel Flow Transmitters	"		
Fuel Flow Totalizers	"		
Liquid Oxygen Converters	50%		
Liquid Oxygen Gaging	"		
Liquid Oxygen Valves	"		

Cash Discount Terms: Net 10th Prox.

Instruments & Life Support Division

THE BENDIX CORPORATION

By. I. H. MacMillan
Director of Sales & Service
Official Title

Date: January 31, 1969

Revised:

DISTRIBUTOR

Standard Aircraft Equipment Company, Inc
Garden City, New York 11530

By

President
Official Title

1194

THE BENDIX CORPORATION

0090

PRODUCT AND DISCOUNT SCHEDULE

1. The COMPANY agrees to sell to the DISTRIBUTOR NAVIGATION & CONTROL Division products listed below at the discounts shown for such products in this schedule.

2. All prices are F.O.B. the factory located at TETERBORO, NEW JERSEY.

PRODUCT	DISCOUNT	PRODUCT	DISCOUNT
AIRBORNE END ITEMS EXCLUDING RETROFIT AND SPECIAL INTEREST EQUIPMENT	42½%		
M & O SPARE PARTS	50-5%		
TOOLS & TEST EQUIPMENT	40%		
NOTE: THIS DISCOUNT SCHEDULE EXCLUDES ALL END ITEMS, M & O SPARE PARTS, TOOLS AND TEST EQUIPMENT FOR NEW PRODUCTS AND AIRCRAFT PROGRAMS.			

Cash Discount Terms: NET 10TH PROX.

NAVIGATION & CONTROL Division
THE BENDIX CORPORATION
By E. C. METZGER
DIRECTOR, SALES & SERVICE
Official Title
Date: MARCH 10, 1969

DISTRIBUTOR
STANDARD AIRCRAFT EQUIPMENT
COMPANY, INC.
GARDEN CITY, LONG ISLAND,
NEW YORK 11530
By

DX-GG

PLF
EXHIBIT 1
ID 10/28/71 W.B.

JUNE 27, 1969

ROBERT C. LESTER, ESQ.
BOROS & LESTER
1120 CONNECTICUT AVENUE NW
WASHINGTON, DC 20036

THE FOLLOWING IS THE INFORMATION YOU REQUESTED YESTERDAY IN PHONE CONVERSATION WITH PAUL L. BOLLO, ESQ. ON STANDARD AIRCRAFT EQUIPMENT CO., INC.

CAPITALIZATION AT 12-31-68

443,700 SHARES OUTSTANDING	221,850.
CAPITAL IN EXCESS OF PAR VALUE	1,029,734.
RETAINED EARNINGS	1,383,374
TOTAL STOCKHOLDER INVESTMENT	2,634,958.

1968 SALES TO CERTIFIED CARRIERS

AMERICAN AIRLINES	171,293.
BRANIFF	33,723.
CONTINENTAL AIRLINES	38,766.
DELTA AIRLINES	175,566.
EASTERN	630,232.
NATIONAL	56,746.
T.W.A.	181,162.
UNITED	387,092.
P.A.A.	1,855,227.

LOUIS J. BOLLO, PRESIDENT
STANDARD AIRCRAFT EQUIP. CO., INC.

CC: PAUL L. BOLLO, ESQ.

1196

DX - HH

PLF 3

EXHIBIT 3
10/28/71

DX-HH

March 18, 1969

Mr. J. K. Burnett, Assistant Treasurer
Pittsburgh Coke & Chemical Company
Grant Building
Pittsburgh, Pennsylvania 15219

Dear Mr. Burnett:

This will serve to answer your letter of March 7th and to confirm my phone call to you of March 14th regarding your registration statement.

Page 9 - Aircraft Instruments, etc.

A. of the total 1968 sales 45% was to airlines, 40% to fixed base operators and repair centers, 14% to corporate operators and various other customers, and 1% to the military.

B. the 1968 sales consisted of $348,705.00 for repair and service and $8,772,245.00 for parts and units totaling $9,120,950.00.

Page 10- Paragraph 2 the properties of Standard.

A. Add and Farmingdale, New York. All Real Estate except Farmingdale is leased for various periods of time. The Farmingdale property is company owned and carries a mortgage of $16,471. at 12/31/68.

B. Standard employs 116 people.

C. Standard has no contractual agreements covering any of their people.

D. No. 4 - No lawsuits exist against Standard at the present time.

(continued)

Page II-3

11(b) Standard does have a pension plan covering all employees meeting certain requirements as to age, time with the company and salary. The plan is paid for by the company. We have requested the insurance company administering the plan to forward to you seven (7) copies of the booklet distributed to employees.

We believe the above gives you the information called for.

Very truly yours,

STANDARD AIRCRAFT EQUIPMENT CO., INC.

Louis J. Bollo
President

LJB:pac

DX- II

0193

1198

PITTSBURGH COKE & CHEMICAL COMPANY
GRANT BUILDING
PITTSBURGH, PA. 15219

PUTNAM B. McDOWELL
VICE PRESIDENT

May 14, 1969

Mr. Louis J. Bollo
Standard Aircraft Equipment Company, Inc.
969 Stewart Avenue
Garden City, New York 11530

Dear Lou:

The prospects for your doing business with American Flyers Airline may be better than I supposed. The $100,000 figure which you mentioned is not a limitation on the amount of business that you can do with American Flyers. The understanding with the CAB is that we must report annually to the CAB whether purchases from you in excess of $100,000 have been made by the Airline. However, this ruling was made when you were still in control of Standard and we had a minority interest. Before you solicit AFA's business, I think we would be wise to recheck with CAB counsel after the CAB has ruled on our purchase of a controlling interest in Standard. I will do that promptly, and in the meantime will alert Lucian Hunt of your interest in his business.

As soon as we hear favorably from the CAB, we will start follow-ups with the SEC and keep you advised of progress there. None of our people expect that there will be any problem in obtaining SEC approval other than the normal time lag.

I would appreciate it if you could send me a set of the financial statements used by management for the year 1968 and for the first quarter of 1969. We would like to see these in enough depth to begin to get a feel of the relative profitability of the different branches and parts of the business, and so that our accounting people can start their thinking in connection with consolidation of the financial statements. After we have had a chance to review these, we will want to send down two of our men to become more familiar with your method of reporting and accounting.

I enjoyed being with you and your associates last week, and will look forward to meeting more regularly in the future.

Best wishes.

Sincerely,

Putt

cc: John W. Adams
W. Gordon Rauck

bcc: R. L. Bonar ✓

P.S. Also please put J W Adams and me on list for regular monthly financial reports.

STANDARD AIRCRAFT EQUIPMENT COMPANY, INC.
Consolidated Balance Sheet

ASSETS

	As of 3-31-69	As of 3-31-68
Current:		
Cash on hand and in banks	$ 262,814.67	$ 413,026.98
Accounts Receivable (Net)	1,202,244.45	1,120,459.71
Inventories	3,747,262.75	2,702,072.91
Total Current Assets	$5,212,321.87	$4,235,559.60
Mortgage Receivable	97,500.00	107,500.00
Fixed Assets	328,685.52	314,288.22
Deferred Charges & other assets	94,954.76	28,294.84
Total Assets	$5,733,462.15	$4,685,642.66

LIABILITIES

Current:		
Notes Payable - Banks - Unsecured	$ 690,000.00	$ ------
Current Installment Long-Term Debt	102,938.00	97,236.00
Accounts Payable - Trade	1,200,964.50	883,899.50
Accrued Expense Payable	60,783.19	67,844.14
Accrued and Withheld Taxes	86,017.46	150,350.65
Total Current Liabilities	$2,140,703.15	$1,204,330.29
Long-Term:		
Loans Payable (less: current installments)	841,770.98	944,727.90
Total Liabilities	$2,982,474.13	$2,149,058.19
Deferred Income on Sale of Real Estate	70,260.58	79,268.08

STOCKHOLDERS INVESTMENT

Capital Stock: Common .50 Par Value authorized 500,000 shares - issued 443,700 shares	$ 221,850.50	$ 221,850.50
Capital in excess of par value	1,029,734.26	1,029,734.26
Retained Earnings	1,429,142.68	1,205,731.63
Total Stockholder Investment	$2,680,727.44	$2,457,316.39
Total Liabilities & Stockholders Investment	$5,733,462.15	$4,685,642.66

STANDARD AIRCRAFT EQUIPMENT COMPANY, INC.
Profit and Loss Statement
For 3 Months

	As of 3-31-69	As of 3-31-68
Sales	$2,156,124.77	$2,052,794.31
Cost of Sales	1,661,540.52	1,527,404.52
Gross Profit	$ 494,584.24	$ 525,389.79
Income from Commission Earned	------	268.69
Adjusted Gross Profit	$ 494,584.24	$ 525,658.48
Expenses	429,777.95	391,699.84
Operating Profit	$ 64,806.30	$ 133,958.64
Income - Deferred Sale of F.A.	1,801.50	1,801.50
Profit Before Federal Income Tax	$ 66,607.80	$ 135,760.14
Provision for Federal Income Tax	20,838.65	51,875.37
Profit After Taxes	$ 45,769.15	$ 83,884.77

DX - JJ (60) 0196

1201

STANDARD AIRCRAFT EQUIPMENT COMPANY
INCORPORATED
969 STEWART AVE., GARDEN CITY, NEW YORK 11530
Pioneer Distributors of Aviation's Leading Lines
TELEPHONE 516 PI 7-8787

May 28, 1969

Mr. Putnam B. McDowell
Vice President
Pittsburgh Coke & Chamical Company
Grant Building
Pittsburgh, Pennsylvania 15219

Dear Put:

Enclosed are financial statements for the first quarter of 1969, about which we spoke yesterday.

In addition to the above, we are working up a branch comparison and will forward a copy to you next week.

Sincerely,

STANDARD AIRCRAFT EQUIPMENT CO., INC.

Lou

Louis J. Bollo
President

LJB:pav
Enc.

Copy: J E Stoll 6-2-69

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S.A.E. Co., Inc.

CONSOLIDATED BALANCE SHEET

	1	2	3	4
			As of 3-31-69	As of 3-31-68
ASSETS				
CURRENT:				
CASH ON HAND + IN BANKS			26281467	41302698
Accounts Receivable (net)			120224445	112045971
Inventories			374726275	270207291
Total Current Assets			521232187	423555960
Mortgage Receivables			9750000	10750000
Fixed Assets			32268552	31428822
Deferred Charges & Other Assets			9495476	2229424
Total Assets			573346215	468564266
LIABILITIES				
CURRENT:				
NOTES PAYABLE - BANKS Unsecured			69000000	0
Current Instalment Long Term Debt			10293800	9723600
Accounts Payable - Trade			120096450	88889750
Accrued Expense Payable			6078317	6784414
Accrued & Withheld Taxes			8601746	15035065
Total Current Liabilities			214070315	120133029
LONG-TERM:				
Loans Payable (less: Current Instalments)			84177098	94472790
Total Liabilities			298247413	214905819
Deferred Income on Sale of Real Estate			7026058	7926803
STOCKHOLDERS INVESTMENT				
CAPITAL STOCK: COMMON .50 PAR VALUE				
AUTHORIZED 500000 SHS. ISSUED 443700 SHS.			22185050	22185050
CAPITAL IN EXCESS OF PAR VALUE			102973426	102973426
Retained EARNINGS			142711218	120515163
TOTAL STOCKHOLDER INVESTMENT			268072744	245731633
TOTAL LIABILITIES & STOCKHOLDER INVESTMENT			573346215	415564266

SKE Co, Inc.
STATEMENT OF PROFIT OR LOSS
FOR 3 MONTHS.

	ENDED 3-31-69	ENDED 3-31-68
SALES	2156124 77	2052794 31
COST OF SALES	1661540 52	1527404 52
GROSS PROFIT	494584 25	525389 79
INCOME - COMM. EARNED	—	268 19
ADJUSTED GROSS PROFIT	494584 25	525652 48
EXPENSES	429777 95	391697 84
OPERATING PROFIT	64806 30	133958 64
INCOME - DEFERRED SALE of F.A.	1801 50	1801 50
PROFIT BEFORE FED. INC TAX	66607 80	135760 14
" PROVISION - FED. INC. TAX	20838 65	51875 37
PROFIT AFTER TAXES	45769 15	83884 77

1204

Standard Aircraft Equipment Co. Inc
3 Months Comparable Statement 1968-

	3-31-69	3-31-68		% Increase (Decrease
Gross Sales	1985827 10	1822956 24		8.
Cost of Goods Sold	1574531 22	1424326 25		10.5
Gross Profit	411297 94	398629 99		3.1
Add Commission	-0-	268 69		
Adjusted Gross Profit	411297 94	398898 68		3.1
Less Net Expenses	389223 13	319464 39		21.83
Profit Before Taxes	22074 81	79434 29		(27.7
Tax Provision	4856 46	33128 46		(14.6
Profit After Taxes	17218 35	46305 83		(37.1

Comparison Profit + Loss (All Companies)
3 Months Ended March 31, 1969

		1	2	3	4
		Ended 3/31/69	3/31/68		% Increase (Decrease)
Gross Sales		2156124 77	2052774 31		5.05
Cost of Sales	% of Sales 77.06	1661540 52	1527404 52	% of Sales 74.40	8.78
Gross Profit		494584 25	525389 79		(5.87)
Add Commission Income		—0—	268 69		
Adjusted Gross Profit		494584 25	525658 48		(5.92)
Less Net Expenses		429777 95	391699 84		9.72
Profit (Loss) Before Tax		64806 30	133958 64		(51.63)
Int. Income Deferred Sale of F.A.		1801 50	1801 50		
Profit Before Federal Income Tax		66607 80	135760 14		(50.94)
Provision for Fed. Income Tax		20838 65	51875 37		(59.84)
Profit After Taxes		45769 15	83884 77		(45.44)

Standard Aircraft Equipment Co. Inc.
Operating Expenses and Income for 3 Months for 1968–1969

		3-31-69	3-31-68	% Increase (Decrease)
Operating Expenses				
	Salaries	157951 52	131128 80	21.9
	Travel	26464 52	18609 33	42.2
	H. L. Power & Water	5950 15	4881 74	21.8
	Telephone & Telegraph	16495 26	14021 42	17.6
	Insurance	2535 00	2295 00	10.45
	Employee Welfare	117 94	188 51	(37.77)
	Property Taxes	7625 36	5208 00	46.40
	Cash Discount	11431 83	9151 76	25.24
	Office Supplies	12634 50	8184 72	54.43
	Postage	3044 56	2470 03	23.23
	Interest	25714 44	16748 91	53.53
	Shipping Expense	6508 19	4901 09	32.78
	Freight	9436 05	6945 35	35.86
	Bldg. Maint.	4625 12	3607 16	28.22
	Rent	24397 10	19775 00	23.37
	Hospital Insurance	3020 63	2235 86	35.12
	Payroll Taxes	8825 65	8550 00	3.21
	Delivery Expenses	905 99	698 75	29.65
	Depreciation	7168 00	3291 00	117.80
	Misc. Expenses	8137 65	4351 07	87.01
	Factory Expense K.C.	2992 41	-0-	—
	[illegible] Commission	742 98	-0-	—
	Accrued Vacation	8061 00	6135 00	31.39
	State & Local Taxes	3074 76	-0-	—
	Total	359875 61	273378 50	31.64
Less	Misc. Income			
	Other Income	9504 82	6731 46	41.19
	Standix Rent	2475 00	2475 00	-0-
	K.C. Office Rent	3771 06	5999 04	(36.81)
	Misc. Income	4232 38	3108 46	33.53
	Purchase Discount	3964 76	3823 55	4.77
	Standix Fees	4050 00	4050 00	—
	Total	27018 02	25157 49	7.26

Standard Aircraft Equipment Co. Inc.
G. & A. Expenses for 3 months Compared 1968 - 1969.

		3-31-69	3-31-68	% Increase (Decrease)
G. & A. Expenses				
Officers Salaries		14516 22	14159 76	2.52
G. & A. Salaries	①	21246 78	15341 53	38.49
Acct. Dept. Expense		3505 44	7950 01	(55.92)
Business Expenses		3443 23	2305 21	49.37
Advertising		4230 28	2611 94	62.20
* Bad Debt		1167 86	1500 00	(22.20)
* Officers Life Insurance			900 00	—
Group Life Insurance		1107 63	2304 94	(51.96)
* Pension Fund		3180 00	2600 00	22.31
Inventory Write off		—0—	12000 00	—
* Bonus Provision		3948 00	3600 00	9.66
State Franchise Tax N.Y.			[illegible] 20	—
@ Totals		56345 54	712[illegible] 38	(20.95)

* Estimates

① Salaries of N.C.R. room were in Act Dept in 1968 are now in G. A salaries

@ allocated to Branches on basis of Sales %.

	3-31-69	3-31-68	% Increase (Decrease)
Net Expenses			
Operating Expenses	359895 61	273378 50	31.6[illegible]
G. & A. Expenses	56345 54	71273 38	(20.95)
Total	419902 69	344651 88	21.8[illegible]
Less Misc. Income	27018 02	25187 49	7.[illegible]
Net Expenses	389223 13	319464 39	21.[illegible]

G. & A. 1969 originally showed the following that are not listed in Operating expenses
Payroll Taxes 8825.65
Depreciation 716.82
Insurance Expense 2535.12
Accrued Vacation 8061.00

1208

STANDAIR, INC.
Division of Standard Aircraft Equipment Co. Inc.
250 Merritts Road
Farmingdale, New York

BALANCE SHEET
As of MARCH 31, 1969

ASSETS

Current Assets		
Cash		23468.29
Accounts Receivable		185420.45
Inventory	①	222187.57
Prepaid Insurance & Other Assets		3425.12
Total Current Assets		434501.43
Fixed Assets (Net)		27327.49
Total Assets		461828.92

LIABILITIES & NET WORTH

Current Liabilities		
Accounts Payable-Trade	98703.88	
Accrued Expense Payable	② 15739.72	
Accrued Taxes Payable	29761.46	
Total Current Liabilities		144205.06
Capital Stock	149621.70	
Earned Surplus	168002.16	317623.86
Total Liabilities & Net Worth		461828.92

PROFIT & LOSS STATEMENT
For 3 months ended 3-31-69

SALES	220347.85
COST OF SALES	① 144879.79
GROSS PROFIT	75468.06
EXPENSES	② 55447.58
PROFIT (for 3 Months)	20020.48
PROVISION FOR FED, INC, TAX (28%) PLUS 10% SURCHARGE	6166.30
NET PROFIT	13854.18

① Includes 1200^{00} Inventory w/o (400- MON.)

② Includes 1320^{00} Bonus (440 - MON.)

Edward J Black
Edward J. Black

0204

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MARCH 31, 1969

	STANDAIR, INC. PROFIT & LOSS STATEMENT FOR: 3 MONTHS	ACCESSORY	INSTRUMENT		TOTAL
SALES	Repair Labor	31338.47	55626.52		86964.99
	Repair Material	101658.46	31524.40		133182.86
	New Material	150.00	50.00		200.00
	TOTAL SALES	133146.93	87200.92		220347.85
COST OF SALES					
	Material Cost	78760.37	20721.03		99481.40
	Wages Direct	15931.31	22671.58		38602.89
	Shop Expense	847.58	1037.17		1884.75
	O.L. & M. Cost	1055.74	2655.01		3710.75
	COST OF SALES	96595.00	47084.79		143679.79
GROSS PROFIT		36551.93	40116.13		76668.06
	Operating Expense				
	Other Salaries	5067.14	3741.50		8808.64
	Accrued S.P. & Vac.	660.00	1080.00		1740.00
	Rent	990.00	1485.00		2475.00
	H.L.P. &W.	1939.95	1291.65		3231.60
	Hospitalization	524.52	633.31		1157.83
	Insurance	690.00	690.00		1380.00
	Payroll Tax	1470.00	1591.77		3061.77
	Shipping Expense	240.47	240.47		480.94
	Freight Expense	550.91	677.15		1228.06
	Delivery (Incl. wages)	992.03	992.03		1984.06
	Tel. & Tel.	284.15	284.15		568.30
	Employee Welfare	112.46	112.46		224.92
	Pension Expense	660.00	660.00		1320.00
	Advertising	145.00	145.00		290.00
	Bldg. Maint. (Incl Wges)	1285.96	1285.95		2571.91
	Depreciation	210.00	1350.00		1560.00
	Total Operating Exp.	15822.59	16260.44		32083.03
	LESS OTHER INCOME	363.23	687.24		1050.47
	Net Operating Expense	15459.36	15573.20		31032.56
G & A EXPENSE					
	Salaries	8678.93	8678.93		17357.86
	Business Expense	948.40	948.40		1896.80
	Office Expense	404.58	404.58		809.16
	Postage & Misc. Exp.	1048.20	286.40		1334.60
	N.Y.S. Franchise Tax	700.88	995.72		1696.60
	TOTAL G. & A.	11780.99	11314.03		23095.02
	Net Expenses	27240.35	26887.23		54127.58
PROFIT OR LOSS	BEFORE TAXES	9311.58	13228.90		22540.48
NOTE: PROVISION FOR BONUS (440.00 MO.)		540.00	780.00		1320.00
PROVISION FOR INV. W/O (400.00 MO.)		600.00	600.00		1200.00
		8171.58	11848.90		20020.48

STANDIX AIRCRAFT, INC.

INVOICING and COSTING

Month Ending March 31, 1969

			Cumulative
Sales	$41,371.84		$109,940.10
Cost of Goods Sold	29,646.51		
Gross Profit		11,725.33	
EXPENSES			
Monthly Assessment	1,350.00		
Other Expenses	922.80		
Reserve for Inventory Write Off (30% of Gross Profit)	3,517.60		
Total Expenses		5,790.40	
Net Profit Before Tax		5,934.93	11,970.25
Reserve for New York State Income Tax @ 7%		415.45	837.92
Total Profit Before Federal Income Tax		5,519.48	11,132.33
Reserve for Federal Income Tax:			
Penalty for separate filing of Federal Income Tax			1,500.00
22% of Total Profit		1,214.29	2,449.12
26% of Total Profit over $25,000.00		1,435.07	2,894.41
Net Profit		$2,870.12	5,788.80
Inter Company Sales		4,327.95	20,940.05
Inter Company Purchases		2,870.48	16,721.81

cc: L. J. Bollo
J. J. Garvey

COPY

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STANDARD AIRCRAFT EQUIPMENT CO., INC.
and its subsidiaries

REPORT

December 31, 1968

1212

BYRNES & BAKER
CERTIFIED PUBLIC ACCOUNTANTS
19 RECTOR STREET
NEW YORK, N. Y. 10006

March 3, 1969

The Board of Directors
Standard Aircraft Equipment Co., Inc.
Garden City, New York

Dear Sirs:

We have examined the consolidated balance sheet of Standard Aircraft Equipment Co., Inc. and subsidiaries at December 31, 1968 and the related statements of consolidated income, retained earnings, and capital in excess of par value for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of income, retained earnings, present fairly the financial condition of Standard Aircraft Equipment Co., Inc. and subsidiaries at December 31, 1968 and the results of its operations for the year then ended in accordance with generally accepted accounting principles consistently applied.

Operations

Although sales increased in 1968 by $1,338,534 or 17% over sales in 1967, the net profit declined by $39,125. This decline in the net profit was primarily due to increases in general and administrative and other expenses. Also, the 10% Federal income tax surcharge contributed approximately $21,000 to the decline in net profit.

The following condensed and comparative statement of income and expense provides additional details of operations.

	1968	% of Sales	1967	% of Sales
Sales - Merchandising	$8,324,661	91.27	$7,040,721	90.47
Repair Services	796,298	8.73	741,704	9.53
Total	$9,120,959	100.00	$7,782,425	100.00
Cost of Sales - Merchandising	$6,507,306	71.34	$5,491,027	70.56
Repair Sales	576,981	6.33	547,564	7.03
Total	$7,084,287	77.67	$6,038,591	77.59
Gross Profit on Sales - Merchandising	$1,817,355	19.93	$1,549,694	19.91
Repair Services	219,317	2.40	194,140	2.50
Total	$2,036,672	22.33	$1,743,834	22.41
Income from Commissions	$ 3,702	.04	$ 10,730	.14
Gross Profit from Operations	$2,040,374	22.37	$1,754,564	22.55
General & Administrative Expense	1,466,296	16.08	1,164,953	14.97
Net Profit from Operations	$ 574,078	6.29	$ 589,611	7.58
Other Expenses less Other Income	85,813	.94	38,382	.49
	$ 488,265	5.35	$ 551,229	7.09
Gain on Sale of Fixed Assets	7,206	.08	7,206	.09
Net Profit before Federal Income Tax	$ 495,471	5.43	$ 558,435	7.18
Provision for Federal Income Tax	231,398	2.53	255,237	3.28
Net Profit for the year	$ 264,073	2.90	$ 303,198	3.90

1214

The following condensed comparative balance sheet illustrates the changes in financial condition between December 31, 1968 and 1967.

	December 31		Increase or
	1968	1967	(Decrease)
Current Assets	$4,603,901	$4,377,329	$ 226,572
Current Liabilities	1,530,459	1,391,021	139,438
Net Working Capital	$3,073,442	$2,986,308	$ 87,134
Current Ratio	3.01	3.15	
Investments	11,801	50,026	(38,225)
Purchase Money Mortgage Receivable	100,000	110,000	(10,000)
Fixed Assets (Net)	330,110	268,038	62,072
Deferred Charges & Other Assets	59,729	5,454	54,275
	$3,575,082	$3,419,826	$ 155,256
Long-term Liabilities	$ 868,062	$ 969,674	$(101,612)
Deferred Income on Sale of Real Estate	72,062	79,268	(7,206)
	$ 940,124	$1,048,942	$(108,818)
Capital - per detail below	$2,634,958	$2,370,884	$ 264,074

Capital			
Capital Stock	$ 221,850	$ 221,850	-
Capital in Excess of Par Value	1,029,734	1,029,734	-
Retained Earnings	1,383,374	1,119,300	264,074
Total Capital	$2,634,958	$2,370,884	$ 264,074

The following statement of Sources and Application of Funds is presented to explain the change in Working Capital during the year under review:

Funds were provided by:			
Current Operations:			
Consolidated Net Profit for the year ended December 31, 1968, as above		$264,073	
Add: Depreciation and Amortization therein	$60,766		
Less: Net Capital Gain	7,206	53,560	
Adjusted Consolidated Net Profit		$317,633	
Proceeds from Installment payments of Purchases Money Mortgage		10,000	
Decrease in Net Value - Officer's Life Insurance		38,225	
Total Funds Provided			$365,858
Funds were applied to:			
Purchase of Fixed Assets		$122,838	
Increase in Deferred Charges		54,275	
Net Decrease in Long-term Liabilities		101,611	
Total Funds Applied			278,724
Net Increase in Working Capital			$ 87,134

The following paragraphs are devoted to a discussion of the nature of items appearing on the Balance Sheet, Exhibit "A" and comments upon our review thereof. Standard Aircraft Equipment Co., Inc. will be referred to as the "Corporation" in the following comments.

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[illegible] and in Banks - $240,786.53

At December 31, 1968 the Corporation's and its subsidiaries' cash consisted of [illegible] deposits and petty cash funds as follows:

Standard Aircraft Equipment Co., Inc.:		
Certificate of Deposit	$11,625.25	
The Franklin National Bank -		
Regular Account	24,587.52	
Payroll Account	227.12	
Special Account	49,529.53	
Various Savings Bank Accounts	48,503.25	
Various Branch Bank Accounts	3,214.77	
Total		$137,687.44
Standair, Inc.:		
Long Island Trust Company -		
Regular Account	$32,756.52	
Special Account	20,360.16	
Guarantee Savings & Loan Association	8,109.32	
Payroll Account	261.00	
Total		61,487.00
Standix Aircraft, Inc.:		
Franklin National Bank	$31,642.51	
Lincoln Savings & Loan Association	1,500.39	
Total		33,142.90
Standard Aircraft Leasing Corp.		
Franklin National Bank		7,869.19
Petty Cash Funds -		
Standard Aircraft Equipment Co., Inc.	$ 400.00	
Standair, Inc.	100.00	
Standix Aircraft Inc.	100.00	600.00
Total Cash on Hand and in Banks		$240,786.53

Cancelled checks returned by the banks for selected periods during the year under review were compared with book entries as to payee and amount; recorded deposits were traced to bank statements. Cancelled checks returned in January 1969 were examined by our representatives and compared with the year-end reconciliation of the book balance. The December 31, 1968 bank balances were confirmed directly to us by the respective depositories.

Petty cash vouchers for selected periods were examined and compared with book entries.

Various petty cash funds were counted by our representatives and reconciled to the balance sheet date.

Accounts Receivable - Trade	$962,227.46

The above amount is composed of the following totals among the individual corporations:

Standard Aircraft Equipment Co., Inc.	$760,410.85
Standair, Inc.	137,949.31
Standix Aircraft, Inc.	63,867.30
Total Accounts Receivable - Trade	$962,227.46

Trial balances of the individual accounts comprising the above totals, including an ageing of the accounts, were submitted to us. The accuracy of the schedules were verified by our representatives by direct reference to the records of the individual corporations. Following is a resume of the ageing of the individual schedules:

	Total	December	November	October	Prior
Standard Aircraft Equipment Co., Inc.	$760,410.85	$506,725.28	$116,021.98	$67,197.72	$ 70,465.87
Standair Inc.	137,949.31	66,335.31	38,252.92	23,846.23	9,514.85
Standix Aircraft, Inc.	63,867.30	15,099.48	10,104.11	3,763.84	34,899.87
	$962,227.46	$588,160.07	$164,379.01	$94,807.79	$114,880.59
	100%	61%	17%	10%	12%

Requests for confirmation of the individual balances of selected customers and answers therefrom were as follows:

	Standard Aircraft Equipment Co., Inc.	Standair, Inc.
Number Mailed	109	32
Dollar Value Mailed	$676,247.95	$117,668.15
Number Answered	40	9
Dollar Value Answered	$175,206.09	$ 8,137.90
Dollar % Answered	26%	7%

Payments received subsequent to the balance sheet date evidenced by customers' remittance advices and examination of other records were found by our representatives to be as follows:

	Amount Paid	As of date
Standard Aircraft Equipment Co., Inc.	$578,348.07	February 28, 1968
Standair, Inc.	80,596.43	February 19, 1968
Standix Aircraft, Inc.	55,584.38	February 28, 1968
	$714,528.88	

Inventories - Materials, Parts and Supplies -	$3,382,264.62	
- Work in Process	9,811.09	$3,392,075.71

The above consolidated inventory was composed of the following individual corporation amounts:

	Materials, Parts and Supplies	Work in Process
Standard Aircraft Equipment Co., Inc.	$3,090,420.23	$ -
Standair, Inc.	175,012.61	9,811.09
Standix Aircraft, Inc.	116,831.78	-
Totals	$3,382,264.62	$9,811.09

During the year under review our representatives made sufficient tests of the physical inventories and records to satisfy ourselves as to their substantial accuracy at December 31, 1968.

The inventories were priced at the lower of cost or market price on the first-in, first-out basis. The pricing was verified by our representatives by a test of a limited number of items. Samplings of the mathematical computations of the inventories were sufficient in scope to satisfy ourselves of the accuracy thereof.

Our representatives reviewed the amount of labor hours incurred and the application of overhead in the work in process, which represented repairs not billed at the balance sheet date.

Prepaid Expenses and Other Current Assets - $8,812.01

	Total	Standard Aircraft Equipment Co., Inc.	Standair, Inc.
Unexpired Insurance	$6,231.05	$5,813.09	$417.96
Prepaid Interest	1,977.76	1,977.76	-
Prepaid Rent	603.20	603.20	-
Totals	$8,812.01	$8,394.05	$417.96

The computations of unexpired insurance and prepaid interest were verified by our representatives.

The prepaid rent was verified by our representatives in the above amount.

Cash Surrender Value - Officer's Life Insurance - $11,800.71 (Net)

The Corporation is the beneficiary of Life Insurance policies on the life of Mr. Louis J. Bollo in the amount of $600,000. Cash surrender value and accumulations totalled $74,320.71 less loans of $62,520.00 at the balance sheet date. Further information as to this item is contained in Note 2 of "Notes to Consolidated Financial Statements".

The terms and existence of these policies were confirmed directly to us by the

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insurers.

Purchase Money Mortgage Receivable - $100,000.00

During the year 1964 the Corporation sold land and buildings situated in Mineola, New York, and accepted a second or junior mortgage in the amount of $92,000.00 from the buyer as part of the purchase price. Subsequently, on May 10, 1965, this second mortgage was consolidated with the first mortgage, held by the Franklin National Bank, into a single first mortgage of $125,000.00 at 5 1/2% interest payable in quarterly annual installments of $2,500.00 commencing July 10, 1966 until April 10, 1971 when any remaining principal balance shall become due. Interest is payable quarter annually.

Four quarterly payments totalling $10,000.00 were made during the year 1968.

Fixed Assets	$772,467.94	
Less: Accumulated Depreciation	442,357.72	$330,110.22

The details of the consolidated fixed asset accounts and their related provisions for accumulated depreciation appear on the Balance Sheet, Exhibit "A".

The following schedule details the fixed assets and their related reserves, by individual corporations:

	Cost	Accumulated Depreciation
Standard Aircraft Equipment Co., Inc.		
Land	$ 37,855.00	$ -
Buildings	59,902.66	21,985.66
Improvements to Buildings	38,501.74	32,235.56
Leasehold Improvements	64,366.58	23,037.94
Furniture and Fixtures	51,835.77	34,567.73
Machinery and Equipment	154,995.67	93,524.40
Autos and Trucks	3,470.00	2,462.00
Sub Total	$410,927.42	$207,813.29
Standair, Inc.		
Machinery and Equipment	$169,923.74	$150,268.68
Furniture and Fixtures	16,055.36	7,422.93
Autos and Trucks	3,940.00	3,715.00
Sub Total	$189,919.10	$161,406.61
Standard Aircraft Leasing Corp.		
Machinery and Equipment	$115,384.28	$ 39,121.67
Autos and Trucks	55,768.31	33,953.66
Sub Total	$171,152.59	$ 73,075.33
Standix Aircraft, Inc.		
Furniture and Fixtures	$ 468.83	$ 62.49
Totals	$772,467.94	$442,357.72

Depreciation was provided for on a "straight line" basis and on the "sum of the year's digits" method. Our representatives tested the calculations and recordings of the depreciation charge-off, which aggregated $60,765.16 during 1968.

Reference is made to Note 1 "Notes to Consolidated Financial Statements" and another part of this report as to details of the pledging of fixed assets to secure corporate liabilities.

Deferred Charges and Other Assets - $59,728.83

The above total is applicable to the Corporation only, as follows:

Deferred Start-up Costs - Kansas City	$54,358.28
Security Deposits	4,940.00
Deferred Mortgage Expense (net)	430.55
Total	$59,728.83

Start-up costs incurred by the Kansas City, Kansas branch have been deferred. See Note 5 "Notes to Consolidated Financial Statements".

There was an increase in security deposits of $60.00 over the 1967 balance. This increase represents deposits for utilities for the Kansas City branch. Major deposits were confirmed by our representative through direct correspondence with the holders.

Expenses incurred in obtaining a mortgage and a long-term loan have been deferred and are being written off over applicable periods.

Notes Payable - Unsecured - $440,000

The Corporation's unsecured indebtedness to Franklin National Bank on 7% notes maturing on January 23, 1969 were confirmed to us by the lender.

Mortgages and Note Payable - Current Portion $101,478.40

Payments due within one year on mortgages and notes payable, which are discussed in greater detail in Note 1 of "Notes to Consolidated Financial Statements", are included among current liabilities.

Accounts Payable and Accrued Expenses $881,682.49

The above total consists of the following amounts:

Standard Aircraft Equipment Co., Inc.			
Accounts Payable - Trade	$811,671.61		
Accrued Expenses	10,153.18	$821,824.79	
Accrued Vacation Pay		17,659.72	$839,484.51
Standair, Inc.			
Accounts Payable - Trade	$ 6,473.19		
Accrued Expenses	7,171.58	$ 13,644.77	
Accrued Vacation Pay		5,585.88	
Accrued Salaries and Wages		1,339.96	20,570.61
Standix Aircraft, Inc.			
Accounts Payable - Trade	$ 18,456.37		18,456.37
Standard Aircraft Leasing Corp.			
Accounts Payable - Trade	$ 3,171.00		3,171.00
Total			$881,682.49

Vendors' invoices supporting the above Accounts Payable - Trade amounts were examined in substantial detail and compared with book entries.

Schedules of Accrued Expenses were examined and the accuracy of the charges verified.

Payments of Accounts Payable and Accrued Expenses made to selected vendors subsequent to the balance sheet date by Standard Aircraft Equipment Co., Inc. amounted to $617,974.31 as of January 31, 1969.

Transactions after the balance sheet date were reviewed to ascertain that no items pertaining to the accounting period under review were recorded in a subsequent period.

The computations of accrued salaries and vacation pay as of December 31, 1968 were verified by our representatives.

Vacation pay accrued will be paid subsequent to the balance sheet date during vacation periods. Accrued salaries and wages were paid subsequent to December 31, 1968.

Accrued and Withheld Taxes - $107,298.24

The liabilities for Federal income tax, payroll taxes and various state and local taxes were verified or computed by us. The above amount as applicable to the various corporations is as follows:

	Total	Standard Aircraft Equipment Co., Inc.	Standair Inc.	Standix Aircraft Inc.	Standard Aircraft Leasing Corp.
Federal Income Tax	$ 82,709.69	$ 5,316.73	$40,416.03	$32,149.26	$4,827.67
State Franchise and Sales Taxes	22,417.14	14,398.01	3,328.04	3,451.54	1,239.55
Withheld Payroll Taxes	2,171.41	2,875.92	(802.45)	-	97.94
Total	$107,298.24	$22,590.66	$42,941.62	$35,600.80	$6,165.16

Long-term Liabilities	$969,540.37	
Less: Current Installments	101,478.40	$868,061.97

	Total	Current	Long-Term	
Home Life Insurance Co.	$902,221.82	$ 79,312.99	$822,908.83	
Long Island Trust Co.	17,651.95	7,265.41	10,386.54	
Franklin National Bank	49,666.60	14,900.00	34,766.60	
	$969,540.37	$101,478.40		
Total				$868,061.97

The Corporation's indebtedness on a long-term installment note payable, a real estate mortgage and a chattel mortgage (Standard Aircraft Leasing Corp.) are described in detail in Note 1 of "Notes to Consolidated Financial Statements".

Confirmation of the above outstanding balances and other details were received directly from the holders.

Installments on long-term liabilities that fall due within one year from the balance sheet date appear as current liabilities on the Balance Sheet, Exhibit "A".

Deferred Income on Sale of Real Estate - $72,062.08

The Corporation has elected to defer the gain on the sale of land and buildings, referred to in another part of this report, over the life of the mortgage. The balance of deferred income, as of December 31, 1968 in the amount of $72,062.08 was verified by us.

Stockholders' Investment - $2,634,958.29

Details of the Capital Stock of the Corporation may be found on the Balance Sheet, Exhibit "A".

Changes in Retained Earnings during the year under review are detailed in Exhibit "B" attached hereto.

We express our appreciation for the courteous cooperation extended to our representatives during the course of the engagement. In the event subjects of interest have not been dealt with in sufficient detail, we shall be pleased to furnish any additional information you may require.

Very truly yours,

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STANDARD AIRCRAFT EQUIPMENT CO., INC.
and its subsidiaries
CONSOLIDATED BALANCE SHEET
December 31, 1968

ASSETS

Current:		
Cash on Hand and in Banks		$ 240,786.53
Accounts Receivable - Trade		962,227.46
Inventories - (at the lower of cost or market price)		
Materials, Parts and Supplies	$3,382,264.62	
Work in Process	9,811.09	3,392,075.71
Prepaid Expenses and Other Current Assets		8,812.01
Total Current Assets		$4,603,901.71
Cash Surrender Value - Officer's Life Insurance		11,800.71
Purchase Money Mortgage Receivable		100,000.00

Fixed (Note 1)	Cost	Accumulated Depreciation	Net	
Land	$ 37,855.00	$ -	$37,855.00	
Buildings	59,902.66	21,985.66	37,917.00	
Improvements	38,501.74	32,235.56	6,266.18	
Leasehold Improvements	64,366.58	23,037.94	41,328.64	
Furniture and Fixtures	68,359.96	42,053.15	26,306.81	
Machinery and Equipment	440,303.69	282,914.75	157,388.94	
Automotive Equipment	63,178.31	40,130.66	23,047.65	
	$772,467.94	$442,357.72		
Total Fixed Assets				330,110.22

Deferred Charges and Other Assets		
Security Deposit	$ 4,940.00	
Deferred Mortgage Expense - Net of Amortization	430.55	
Deferred Start-up costs - Kansas City (Note 5)	54,358.28	
Total Deferred Charges and Other Assets		59,728.83
Total Assets		$5,105,541.47

EXHIBIT "A"

LIABILITIES

Current:		
Notes Payable - Unsecured		$ 440,000.00
Mortgages & Note Payable - Current Portion (Note 1)		101,478.40
Accounts Payable and Accrued Expenses		881,682.49
Accrued and Withheld Taxes		
Federal Income Taxes	$ 82,709.69	
State Franchise and Sales Taxes	22,417.14	
Withheld Payroll Taxes	2,171.41	107,298.24
Total Current Liabilities		$1,530,459.13
Long Term (Note 1)		
Notes Payable - Home Life Insurance Company	$902,221.82	
Mortgage Payable - Long Island Trust Company	17,651.95	
Chattle Mortgage Payable	49,666.60	
	$969,540.37	
Less Current Installments	101,478.40	
Total Long Term Liabilities		868,061.97
Total Liabilities		$2,398,521.10
Deferred Income on Sale of Real Estate		72,062.08

STOCKHOLDERS' INVESTMENT

Capital Stock - Common - $.50 par value		
Authorized - 500,000 shares - Issued and Outstanding - 443,700 shares	$ 221,850.50	
Capital in Excess of Par Value	1,029,734.26	
Retained Earnings - (Exhibit "B")	1,383,373.53	
Total Stockholders' Investment		2,634,958.29
Total Liabilities and Stockholders' Investment		$5,105,541.47

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EXHIBIT "B"

STANDARD AIRCRAFT EQUIPMENT CO., INC.
and its subsidiaries
CONSOLIDATED STATEMENT OF INCOME, EXPENSE AND RETAINED EARNINGS
For the year ended December 31, 1968

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Merchandise Sales - Net of Returns and Allowances		$8,324,660.97
Cost of Sales:		
Merchandise Inventory - January 1 1968	$2,762,726.65	
Add: Purchases	6,928,748.13	
Freight In	23,083.65	
	$9,714,558.43	
Less: Merchandise Inventory - December 31, 1968	3,207,252.01	
Cost of Sales		6,507,306.42
Gross Merchandising Profit		$1,817,354.55
Gross Profit from Repair Services (Schedule No. 1)		219,316.24
Income from Commissions		3,702.73
Gross Profit on Operations		$2,040,373.52
General and Administrative Expenses (Schedule No. 2)		1,466,296.01
Net Profit on Operations		574,077.51
Other Income		
Rental Income	$ 23,621.22 ✓	
Interest Income	17,592.48	
Purchase Discounts	29,344.86	
Gain on Sale of Fixed Assets	7,206.00 ✓	
Miscellaneous Income	5,548.92	83,313.48
		$ 657,390.99
Other Expenses		
Sales Discounts	$ 68,506.22 ✓	
Interest Expense	81,126.31 ✓	
Bad Debts	12,287.51 ✓	161,920.04
Net Profit before Federal Income Tax		$ 495,470.95
Provision for Federal Income Tax (Note No. 4)		231,397.56
Net Profit for the year ended December 31, 1968		$ 264,073.39
Retained Earnings - January 1, 1968		1,119,300.14
Retained Earnings - December 31, 1968 (Exhibit "A")		$1,383,373.53

The accompanying "Notes to Consolidated Financial Statements" are an integral part of this statement.

SCHEDULE No. 1

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STANDARD AIRCRAFT EQUIPMENT CO., INC.
and its subsidiaries
CONSOLIDATED STATEMENT OF GROSS PROFIT - REPAIR SERVICES
For the year ended December 31, 1968

Income from Repair Services			$796,297.57
Cost of Repair Services:			
Direct Labor		$148,298.03	
Purchased Services		22,604.13	
Purchased Material		295,770.41	
Factory Overhead:			
Indirect Salaries	$29,027.16		
Shipping Salaries	8,705.60		
Payroll Taxes	12,008.35		
Shop Expense	12,321.83		
Heat, Light and Power	7,687.94		
Hospitalization	3,681.72		
Insurance	4,482.80		
Shipping Expense	2,276.22		
Freight	5,668.46		
Delivery Costs and Salaries	7,790.92		
Maintenance Costs and Salaries	10,969.30		
Depreciation	5,688.46		
Total Overhead		110,308.76	
Cost of Repair Services			576,981.33
Gross Profit from Repair Services			$219,316.24

The accompanying "Notes to Consolidated Financial Statements" are an integral part of this statement.

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SCHEDULE No. 2

STANDARD AIRCRAFT EQUIPMENT CO., INC.
and its subsidiaries
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSE
For the year ended December 31, 1968

Salaries and Wages	$ 664,603.25
Officers' Salaries	153,555.15
Heat, Light and Water	15,398.43
Repairs and Maintenance	21,526.49
Telephone and Telegraph	69,805.46
Shipping Expense	16,921.33
Insurance	10,156.42
Office Expense	35,891.74
Postage	13,188.30
Property Taxes	19,273.46
Payroll Taxes	31,700.54
Professional and Financial Expense	16,120.69
Salesmen's Travel and Business Expense	120,260.71
Advertising	21,937.42
Depreciation	55,076.70
Employees Welfare	19,850.13
State and Local Taxes and Fees	50,576.40
Miscellaneous Expense	37,441.08
Rents	87,100.60
Pension Expense	20,650.00
Officer's Life Insurance Premiums - Net	4,590.52
Amortization of Mortgage Expense	143.50
Freight and Delivery Expense	34,885.97
Total	$1,520,654.29
Less: Deferred Start-up Costs - Kansas City Operations	54,358.28
Total General and Administrative Expense - (Exhibit "B")	$1,466,296.01

The accompanying "Notes to Consolidated Financial Statements" are an integral part of this statement.

STANDARD AIRCRAFT EQUIPMENT CO., INC.
"NOTES TO CONSOLIDATED FINANCIAL STATEMENTS"
December 31, 1968

1. LONG-TERM LIABILITIES

The Corporation is indebted to Home Life Insurance Company on unsecured notes in the amount of $902,221.82, with interest at 6 3/4%. Monthly payments of $11,482.42 which includes interest and amortization, are due until maturity, July 1977. This loan agreement, which was entered into in August 1967 contains certain provisions regarding the maintenance of working capital, additional borrowings, mergers and sale of assets, and other restrictions. The Corporation is not in default of any of the foregoing provisions.

The land, buildings, and improvements at Farmingdale, New York are pledged to secure payment of a mortgage having a balance of $17,651.95 at December 31, 1968. Monthly payments of $677.24, which include amortization and interest at 6% per annum are due until maturity, April 1971.

Electronic data processing equipment purchased during 1967 by Standard Aircraft Leasing Corporation is pledged to secure payment of a chattel mortgage having a balance of $49,666.60 December 31, 1968. Monthly amortization payments of $1,241.67 are due until maturity, April 1972. Interest rate is 6% on the unpaid balance.

2. CONTINGENCIES

The Corporation, under the terms of an agreement with its President, could be required to purchase from his estate no more than 50,000 shares of his stockholdings at a price which would be the higher of $4 per share or the fair market value at the date of death. The Corporation owns life insurance policies with an aggregate face value of $600,000 for this purpose.

3. LEASES

The Corporation is tenant at various locations under leases providing for annual rentals aggregating $99,158.00. These leases expire at various dates through 1979.

4. INCOME TAXES

The Internal Revenue Service has examined the Corporation's Federal income tax returns through the year 1966.

5. DEFERRED START-UP COSTS

The Corporation has deferred the costs incurred in setting up a manufacturing facility in Kansas City, Kansas in the amount $54,358.28. Amortization of these costs at the rate of 20% per annum will commence when the facility goes into production in 1969.

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STANDARD AIRCRAFT EQUIPMENT CO., INC.
AND ITS SUBSIDIARIES

REPORT

December 31, 1969

BYRNES & BAKER
CERTIFIED PUBLIC ACCOUNTANTS
19 RECTOR STREET
NEW YORK, N. Y. 10006

February 11, 1970

The Board of Directors
Standard Aircraft Equipment Co., Inc.
Garden City, New York

Dear Sirs:

We have examined the consolidated balance sheet of Standard Aircraft Equipment Co., Inc. and subsidiaries at December 31, 1969 and the related statements of consolidated income, retained earnings, and capital in excess of par value for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of income, retained earnings, and capital in excess of par value present fairly the financial condition of Standard Aircraft Equipment Co., Inc. and subsidiaries at December 31, 1969 and the results of its operations for the year then ended in accordance with generally accepted accounting principles consistently applied..

Operations

Sales in 1969 were approximately $158,000 greater than 1968 sales. There was, however, a reduction in net profits of $234,000 due primarily to increased costs. The sale of the Northvale, New Jersey property contributed $26,720, to the net profit for the year.

The following condensed and comparative statement of income and expense provides additional details of operations.

	1969	% of Sales	1968	% of Sales
Sales - Merchandising	$8,344,299	89.93	$8,324,661	91.27
Repair Services	934,667	10.07	796,298	8.73
Total	$9,278,966	100.00	$9,120.959	100.00
Cost of Sales - Merchandising	$6,694,837	72.15	$6,507,306	71.34
Repair Sales	660,783	7.12	576,981	6.33
Total	$7,355,620	79.27	$7,084,287	77.67
Gross Profit on Sales - Merchandising	$1,649,462	17.78	$1,817,355	19.93
- Repair Services	273,884	2.95	219,317	2.40
Total	$1,923,346	20.73	$2,036,672	22.33
Income from Commissions	$ 1,138	.01	$ 3,702	.04
Gross Profit from Operations	$1,924,484	20.74	$2,040,374	22.37
General & Administrative Expense	1,705,262	18.38	1,466,296	16.08
Net Profit from Operations	$ 219,222	2.36	$ 574,078	6.29
Other Expenses less Other Income	182,153	1.96	85,813	.94
	$ 37,069	.40	$ 488,265	5.35
Gain on Sale of Fixed Assets	33,926	.37	7,206	.08
Net Profit before Federal Income Tax	$ 70,995	.77	$ 495,471	5.43
Provision for Federal Income Tax	40,841	.44	231,398	2.53
Net Profit for the year	$ 30,154	.33	$ 264,073	2.90

The following condensed comparative balance sheet illustrates the changes in financial condition between December 31, 1969 and 1968.

	1969	1968	Increase or (Decrease)
Current Assets	$5,907,970	$4,603,901	$1,304,069
Current Liabilities	2,869,261	1,530,459	1,338,802
Net Working Capital	$3,038,709	$3,073,442	$ (34,733)
Current Ratio	2.06	3.01	
Investments	14,351	11,801	2,550
Purchase Money Mortgage Receivable	90,000	100,000	(10,000)
Fixed Assets (Net)	329,589	330,110	(521)
Deferred Charges & Other Assets	53,792	59,729	(5,937)
	$3,526,441	$3,575,082	$ (48,641)
Long-term Liabilities	$ 766,114	$ 868,062	$ (101,948)
Deferred Income Taxes	25,920		25,920
Deferred Income on Sale of Real Estate	64,856	72,062	(7,206)
	$ 856,890	$ 940,124	$ (83,234)
Capital - per detail below	$2,669,551	$2,634,958	$ 34,593
Capital			
Capital Stock	$ 221,850	$ 221,850	
Capital in Excess of Par Value	1,028,435	1,029,734	(1,299)
Retained Earnings	1,419,266	1,383,374	35,892
Total Capital	$2,669,551	$2,634,958	$ 34,593

The following statement of Sources and Application of Funds is presented to explain the change in Working Capital during the year under review:

Funds were provided by:			
Current Operations:			
Consolidated Net Profit for the year ended December 31, 1969, as above		$30,154	
Add: Depreciation and Amortization therein	$70,980		
Less: Net Capital Gain	7,206	63,774	
Adjusted Consolidated Net Profit		$93,928	
Sale of Land		3,280	
Decrease in Deferred Charges		5,937	
Increase in Deferred Income Taxes		25,920	
Prior year IRS audit adjustments		4,439	
Proceeds from installment payments of purchase money mortgage		10,000	
			$143,504
Funds were applied to:			
Purchase of fixed assets (net)		$ 73,739	
Increase in net value - Officers Life Insurance		2,550	
Decrease in Long-Term Liabilities		101,948	
			178,237
Net Decrease in Working Capital			$ 34,733

The following paragraphs are devoted to a discussion of the nature of items appearing on the Balance Sheet, Exhibit "A" and comments upon our review thereof. Standard Aircraft Equipment Co., Inc. will be referred to as the "Corporation" in the following comments.

Cash on Hand and in Banks - $291,712.33

At December 31, 1968 the Corporation's and its subsidiaries' cash consisted of bank deposits and petty cash funds as follows:

Standard Aircraft Equipment Co., Inc.:		
Certificate of Deposit	$11,625.25	
The Franklin National Bank -		
Regular Account	26,702.84	
Payroll Account	579.25	
Special Accounts	14,187.99	
Various Savings Bank Accounts	61,442.19	
Various Branch Bank Accounts	2,965.45	
Total		$117,502.97
Standair, Inc.:		
Long Island Trust Company -		
Regular Account	$38,079.85	
Special Account	22,366.41	
Guarantee Savings & Loan Association	8,092.88	
Total		68,539.14
Standix Aircraft, Inc.:		
Franklin National Bank	$85,758.42	
Lincoln Savings & Loan Association	2,165.42	
Total		87,923.84
Standard Aircraft Leasing Corp.		
Franklin National Bank		17,146.38
Petty Cash Funds -		
Standard Aircraft Equipment Co., Inc.	$ 400.00	
Standair, Inc.	100.00	
Standix Aircraft Inc.	100.00	600.00
Total Cash on Hand and in Banks		$291,712.33

Cancelled checks returned by the banks for selected periods during the year under review were compared with book entries as to payee and amount; recorded deposits were traced to bank statements. Cancelled checks returned in January 1970 were examined by our representatives and compared with the year-end reconciliation of the book balance. The December 31, 1969 bank balances were confirmed directly to us by the respective depositories.

The Bank Certificate of Deposit was examined by our representative.

Petty cash vouchers for selected periods were examined and compared with book entries.

Various petty cash funds were counted by our representatives and reconciled to the balance sheet date.

	Trade	$1,189,999.87	
Accounts Receivable -	Other	14,814.26	$1,204,814.13

The above amount is composed of the following totals among the individual corporations:

Standard Aircraft Equipment Co., Inc.	$ 969,869.20
Standair, Inc.	180,789.98
Standix Aircraft, Inc.	39,340.69
Total Accounts Receivable - Trade	$1,189,999.87

Trial balances of the individual accounts comprising the above totals, including an ageing of the accounts, were submitted to us. The accuracy of the schedules were verified by our representatives by direct reference to the records of the individual corporations. Following is a resume of the ageing of the individual schedules:

	Total	December	November	October	Prior
Standard Aircraft Equipment Co. Inc.	$ 969,869.20	$609,077.86	$117,354.17	$107,655.48	$135,781.69
Standair Inc.	180,789.98	91,875.34	39,210.93	22,915.76	26,787.95
Standix Aircraft, Inc.	39,340.69	28,631.79	2,930.81	1,328.45	6,449.64
	$1,189,999.87	$729,584.99	$159,495.91	$131,899.69	$169,019.28
	100.00%	61.31%	13.41%	11.08%	14.20%

Requests for confirmation of the individual balances of selected customers as of November 30, 1969 and answers therefrom were as follows:

	Standard Aircraft Equipment Co., Inc.	Standair, Inc.
Number Mailed	66	20
Dollar Value Mailed	$810,650.85	$149,695.92
Number Answered	21	3
Dollar Value Answered	317,462.50	5,611.23
Dollar % Answered	39%	4%

Payments received against the December 31, 1969 balances subsequent to the balance sheet date evidenced by customers' remittance advices and examination of other records were found by our representatives to be as follows:

	Amount Paid	As of date
Standard Aircraft Equipment Co., Inc.	$492,693.66	February 4, 1970
Standair, Inc.	120,865.81	January 26, 1970
Standix Aircraft, Inc.	28,233.53	January 30, 1970
	$641,793.00	

Accounts Receivable - Other amounted to $14,814.26 at the balance sheet date. Of this amount $13,832.58 applied to Standard Aircraft Equipment Co., Inc. and the balance of $981.68 to Standair, Inc.

Our representatives verified the validity of these receivables.

Inventories - Materials, Parts and Supplies -	$4,277,107.58	
- Work in Process	13,919.18	$4,291,026.76

The above consolidated inventory was composed of the following individual corporation amounts:

	Materials, Parts and Supplies	Work in Process
Standard Aircraft Equipment Co., Inc.	$3,960,720.24	$ -
Standair, Inc.	225,080.54	13,919.18
Standix Aircraft, Inc.	91,306.80	-
Totals	$4,277,107.58	$13,919.18

During the year under review our representatives made sufficient tests of the physical inventories and records to satisfy ourselves as to their substantial accuracy at December 31, 1969.

The inventories were priced at the lower of cost or market price on the first-in, first-out basis. The pricing was verified by our representatives by a test of a substantial number of items. Samplings of the mathematical computations of the inventories were sufficient in scope to satisfy ourselves of the accuracy thereof.

Our representatives reviewed the amount of labor hours incurred and the application of overhead in the work in process, which represented repairs not billed at the balance sheet date.

Refund Claims - U. S. Government - $102,481.41

The above amount represents claims by Standard Aircraft Equipment Co., Inc. for income tax refunds and arise from the following circumstances:

(1) Prepayments of 1969 taxes	$ 40,000.00
(2) Carry back claims for short tax periods	
(a) Ended September 18, 1969	18,850.00
(b) Ended October 31, 1969	11,299.41
(3) Claims resulting from filing of amended return for year 1968	32,400.00
	$102,549.41

The amount of the claims have been computed by us.

Prepaid Expenses and Other Current Assets - $17,935.82

	Total	Standard Aircraft Equipment Co., Inc.	Standair, Inc.
Unexpired Insurance	$ 7,181.31	$ 5,400.78	$1,780.53
Prepaid Interest	3,140.28	3,140.28	-
Prepaid Real Estate Taxes	3,074.23	3,074.23	-
Security Deposits	4,540.00	4,540.00	-
Totals	$17,935.82	$16,155.29	$1,780.53

The computations of unexpired insurance, prepaid interest and prepaid real estate taxes were verified by our representatives.

Major security deposits were confirmed by our representatives through direct correspondence with the holders.

Cash Surrender Value - Officer's Life Insurance - $11,800.71 (Net)

The Corporation is the beneficiary of Life Insurance policies on the life of Mr. Louis J. Bollo in the amount of $600,000. Cash surrender value and accumulations totalled $94,592.00 less loans of $80,241.00 at the balance sheet date. Further information as to this item is contained in Note 2 of "Notes to Consolidated Financial Statements".

The terms and existence of these policies were confirmed directly to us by the insurers.

Purchase Money Mortgage Receivable - $90,000.00

During the year 1964 the Corporation sold land and buildings situated in Mineola, New York, and accepted a second or junior mortgage in the amount of $92,000.00 from the buyer as part of the purchase price. Subsequently, on May 10, 1965, this second mortgage was consolidated with the first mortgage, held by the Franklin National Bank, into a single first mortgage of $125,000.00 at 5 1/2% interest payable in quarterly annual installments of $2,500.00 commencing July 10, 1966 until April 10, 1971 when any remaining principal balance shall become due. Interest is payable quarterly.

Four quarterly payments totalling $10,000.00 were made during the year 1969.

Fixed Assets	$827,055.59	
Less: Accumulated Depreciation	497,466.71	$329,588.88

The details of the consolidated fixed asset accounts and their related provisions for accumulated depreciation appear on the Balance Sheet, Exhibit "A".

The following schedule details the fixed assets and their related reserves, by individual corporations:

	Cost	Accumulated Depreciation
Standard Aircraft Equipment Co., Inc.		
Land	$ 34,575.00	$ -
Buildings	59,902.66	23,846.07
Improvements to Buildings	38,501.74	35,368.15
Leasehold Improvements	66,225.58	26,321.31
Furniture and Fixtures	56,433.96	38,482.05
Machinery and Equipment	167,006.81	109,722.30
Autos and Trucks	3,470.00	3,218.00
Airplane	14,650.00	3,405.60
Sub Total	$440,765.75	$240,363.48
Standair, Inc.		
Machinery and Equipment	$179,430.81	$155,647.90
Furniture and Fixtures	18,226.95	8,747.47
Autos and Trucks	4,828.00	2,097.99
Sub Total	$202,485.76	$166,493.36
Standard Aircraft Leasing Corp.		
Machinery and Equipment	$119,984.28	$ 50,247.13
Autos and Trucks	62,921.83	40,178.50
Sub Total	$182,906.11	$ 90,425.63
Standix Aircraft, Inc.		
Furniture and Fixtures	$ 897.97	$ 184.24
Totals	$827,055.59	$497,466.71

Depreciation was provided for on a "straight line" basis and on the "sum of the year's digits" method. Our representatives tested the calculations and recordings of the depreciation charge-off, which aggregated $70,979.96 during 1969.

Reference is made to Note 1 "Notes to Consolidated Financial Statements" and another part of this report as to details of the pledging of fixed assets to secure corporate liabilities.

Deferred Charges and Other Assets - $53,791.83

The above total is applicable to the Corporation only, as follows:

Deferred Start-up Costs - Kansas City	$43,486.63
Deferred Long-Term Debt	7,823.15
Deferred Mortgage Expense (net)	287.05
Salesmen's Travel Advances	2,195.00
	$53,791.83

Start-up costs incurred by the Kansas City, Kansas branch have been deferred and are being written off at the rate of 20% per year.

Expenses incurred in obtaining a mortgage and a long-term loan have been deferred and are being written off over applicable periods.

Corporate records covering travel advances to salesmen have been examined by our representatives.

Notes Payable - Unsecured - $1,555,000.00

The Corporation's unsecured indebtedness was confirmed directly to us by the lenders, as follows:

Franklin National Bank Interest - 8 3/4% Due - January 8, 1970	$ 955,000.00
Pittsburgh Coke and Chemical Company Interest - Prime commercial rate Due - On demand	600,000.00
Total	$1,555,000.00

Mortgages and Note Payable - Current Portion $111,332.27

Payments due within one year on mortgages and notes payable, which are discussed in greater detail in Note 1 of "Notes to Consolidated Financial Statements", are included among current liabilities.

	Trade -	$1,046,807.53	
Accounts Payable - Inter-company -		24,818.22	$1,071,625.75

The above total consists of the following amounts:

Standard Aircraft Equipment Co., Inc.			
Accounts Payable	- Trade	$1,028,792.50	
	- Inter-company	14,603.22	$1,043,395.72
Standair, Inc.			
Accounts Payable	- Trade	$3,288.97	
	- Inter-company	3,390.00	6,678.97
Standix Aircraft, Inc.			
Accounts Payable	- Trade	$14,726.06	
	- Inter-company	5,278.00	20,004.06
Standard Aircraft Leasing Corp.			
Accounts Payable	- Trade	-	
	- Inter-company	$1,547.00	1,547.00
			$1,071,625.75

Vendors' invoices supporting the above Accounts Payable - Trade amounts were examined in substantial detail and compared with book entries.

Requests for confirmation of open account balances were sent to 25 selected vendors totalling $885,625.97.

Replies were received from all but 4 vendors so solicited. All amounts confirmed were reconciled to the book amounts and adjustments made as required.

Intercompany accounts payable were all owed to Pittsburgh Coke and Chemical Company and represent unpaid interest on loans, and income tax liabilities for the short period, September 19 to October 31, 1969, resulting from Pittsburgh Coke and Chemical Company's election to file consolidated tax returns.

Accrued Salaries and Wages - $26,886.17
Accrued Operating Expenses - 36,448.29

The above amounts as applicable to the various corporations is as follows:

	Total	Standard Aircraft Equipment Co., Inc.	Standair Inc.	Standix Aircraft Inc.	Standard Aircraft Leasing Corp.
Accrued Vacation	$23,538.59	$17,469.08	$6,069.51	-	-
Accrued Sick Leave	3,347.58	1,998.23	1,349.35	-	-
Total Accrued Salaries and Wages	$26,886.17	$19,467.31	$7,418.86	-	-
Total Accrued Operating Expense	$36,448.29	$29,145.43	$7,182.95	-	$119.91

Schedules of accrued salaries and wages and accrued operating expenses were examined and the accuracy of the charges verified by our representatives.

Vacation and sick pay accrued will be paid subsequent to the balance sheet date.

Accrued and Withheld Taxes -	Federal Income Taxes	- $40,080.88
	Payroll and Other Taxes	- 27,888.06

The liabilities for Federal Income tax, payroll taxes and various state and local taxes were verified or computed by us.

	Total	Standard Aircraft Equipment Co., Inc.	Standair Inc.	Standix Aircraft Inc.	Standard Aircraft Leasing Corp.
Federal Income Tax	$40,080.88	-	$23,476.81	$14,619.34	$1,984.73
State Franchise & Sales Taxes	$16,402.49	$ 9,830.34	$ 4,356.87	$ 1,377.41	$ 837.87
Accrued & Withheld Payroll Taxes	11,485.57	6,981.69	4,503.88	-	-
Total Payroll and Other Taxes	$27,888.06	$16,812.03	$ 8,860.75	$ 1,377.41	$ 837.87

Long-Term Liabilities	$877,446.62	
Less: Current Installment	111,332.27	$766,114.35

	Total	Current	Long-Term
Home Life Insurance Co.	$822,908.83	$ 84,835.39	$738,073.44
Long Island Trust Co.	10,386.54	7,713.52	2,673.02
Franklin National Bank	34,766.56	14,900.04	19,866.52
Michigan Bank, Nat'l.Assoc.	9,384.69	3,883.32	5,501.37
	$877,446.62	$111,332.27	
Total			$766,114.35

The Corporation's indebtedness on a long-term installment note payable, a real estate mortgage and chattel mortgages are described in detail in Note 1 of "Notes to Consolidated Financial Statements"

Confirmation of the above outstanding balances and other details were received directly from the holders.

Installments on long-term liabilities that fall due within one year from the balance sheet date appear as current liabilities on the Balance Sheet, Exhibit "A".

Deferred Income on Sale of Real Estate - $64,856.08

The Corporation has elected to defer the gain on the sale of land and buildings, referred to in another part of this report, over the life of the mortgage. The balance of deferred income, as of December 31, 1969 in the amount of $64,856.08 was verified by us.

Deferred Federal Income Taxes - $25,920.00

This Deferred Federal Tax liability arises from the variance between acceptable accounting and allowable tax treatment of the start-up costs associated with the Kansas City production facility, which were capitalized for cash purposes but written off for tax purposes. Management's election to capitalize these costs results in a deferred tax liability of $25,920.00 at the balance sheet date.

Stockholders' Investment - $2,669,550.31

Details of the Capital Stock of the Corporation may be found on the Balance Sheet, Exhibit "A".

Changes in Retained Earnings during the year under review are detailed in Exhibit "B" attached hereto.

Changes in Capital in Excess of Par Value during the year under review are shown on Exhibit "C" attached hereto.

We express our appreciation for the courteous cooperation extended to our representatives during the course of the engagement. In the event subjects of interest have not been dealt with in sufficient detail, we shall be pleased to furnish any additional information you may require.

Very truly yours,

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STANDARD AIRCRAFT EQUIPMENT CO., INC.
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
December 31, 1969

ASSETS

Current:		
Cash - In Banks		$ 279,487.08
- On Hand		600.00
Bank Certificate of Deposit		11,625.25
Accounts Receivable - Trade	$1,189,999.87	
- Other	14,742.58	
Inter-company	71.68	1,204,814.13
Refund Claims - U. S. Government		102,481.41
Inventories		4,291,026.76
Prepaid Expenses		17,935.82
Total Current Assets		$5,907,970.45
Purchase Money Mortgage Receivable		90,000.00
Cash Surrender Value - Officers Life Insurance (Note 2)		14,351.00
Fixed:		
Land	$ 34,575.00	
Buildings	59,902.66	
Improvements	38,501.74	
Leasehold Improvements	66,225.58	
Machinery and Equipment	466,421.90	
Furniture and Fixtures	75,558.88	
Automotive Equipment	71,219.83	
Airplane	14,650.00	
	$ 827,055.59	
Less: Accumulated Depreciation	497,466.71	
Total Fixed Assets		329,588.88
Deferred Charges and Other Assets		
Deferred Start up Costs - Kansas City	$ 43,486.63	
Deferred Long-Term Debt Expense	7,823.15	
Other Deferred Charges	2,482.05	
Total Deferred Charges and Other Assets		53,791.83
Total Assets		$6,395,702.16

EXHIBIT "A"

LIABILITIES

Current:		
Notes Payable - Unsecured		$1,555,000.00
Current Installment - Long Term Debt		111,332.27
Accounts Payable - Trade		1,046,807.53
- Inter-company		24,818.22
Accrued Salaries and Wages		26,886.17
Accrued Operating Expenses		36,448.29
Provision for Federal Income Taxes (Net)		40,080.88
Accrued and Withheld Payroll and Other Taxes		27,888.06
Total Current Liabilities		$2,869,261.42
Long Term: (Note 1)		
Unsecured Notes - Home Life Insurance Company	$822,908.83	
Real Estate Mortgage - Long Island Trust Co.	10,386.54	
Chattel Mortgages Payable	44,151.25	
	$877,446.62	
Less Current Installment (above)	111,332.27	
Total Long Term Debt		766,114.35
Deferred Income on Sale of Real Estate		64,856.08
Deferred Federal Income Taxes		25,920.00

STOCKHOLDERS' EQUITY

Capital Stock - Common - $.50 par value Authorized - 500,000 shares; Issued and Outstanding 443,700 shares	$ 221,850.00	
Capital in Excess of Par Value (Exhibit "C")	1,028,434.76	
Retained Earnings (Exhibit "B")	1,419,265.55	
Total Stockholders' Equity		2,669,550.31
Total Liabilities and Stockholders' Equity		$6,395,702.16

The accompanying "Notes to Consolidated Financial Statements" are an integral part of this statement.

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AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
For the year ended December 31, 1969

Income from Sales and Services		$9,278,965.71
Cost of Sales and Services		
Inventory - January 1, 1969	$ 3,392,075.71	
Add: Purchases	7,932,199.59	
Freight In	33,534.10	
Direct Labor	165,753.20	
Subcontract Services	22,561.00	
Indirect Expense	100,523.00	
	$11,646,646.60	
Less: Inventory - December 31, 1969	4,291,026.76	
Cost of Sales		7,355,619.84
Gross Profit on Sales		$1,923,345.87
Other Operating Expenses (Schedule 1)		1,705,261.82
Net Profit on Operations		$ 218,084.05
Other Income		
Gain on Sale of Real Estate	$ 33,926.00	
Commission Income	1,138.01	
Rent Income	23,496.24	
Purchase Discounts and Other Miscellaneous Income	32,142.78	
Total Other Income		90,703.03
		$ 308,787.08
Other Expenses		
Interest Expense	$ 152,997.52	
Sales Discounts	61,624.30	
State Tax Expense	22,329.37	
Bad Debt Expense	841.22	
Total Other Expense		237,792.41
Net Profit before Federal Income Tax		$ 70,994.67
Provision for Federal Income Tax		
Current year	$ 47,320.62	
Deferred Taxes	(6,480.00)	40,840.62
Net Profit for year ended December 31, 1969		$ 30,154.05
Retained Earnings - January 1, 1969	$1,383,373.53	
Add: IRS Adjustment - Year 1967 (Net)	5,737.97	1,389,111.50
Retained Earnings - December 31, 1969		$1,419,265.55

The accompanying "Notes to Consolidated Financial Statements" are an integral part of this statement.

EXHIBIT "C"

STANDARD AIRCRAFT EQUIPMENT CO., INC.
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE
December 31, 1969

Balance at January 1, 1969	$1,029,734.26
Less: Stock issuance costs previously expensed but disallowed by IRS in their audit of calandar year 1967	(1,299.50)
Balance at December 31, 1969	$1,028,434.76

The accompanying "Notes to Consolidated Financial Statements" are an integral part of this statement.

SCHEDULE 1.

STANDARD AIRCRAFT EQUIPMENT CO., INC.
OTHER OPERATING EXPENSES
For the year ended December 31, 1969

	Consolidated As Adjusted
Salaries	$ 930,773.28
Travel	105,987.29
Heat, Light, Power, Water	17,162.51
Telephone and Telegraph	81,172.11
Insurance	15,839.96
Property Taxes	18,842.08
Office Expense	20,823.97
Tabulating Dept. Expense	17,077.00
Postage	12,590.23
Shipping & Delivery Expense	69,275.14
Building Maintenance	17,453.68
Miscellaneous	44,780.93
Rent Expense	96,047.96
Factory Expense	7,041.86
Hospitalization	10,964.43
Accounting Dept. Expense	12,187.30
Business Expense	38,425.32
Advertising	23,660.44
Payroll Taxes	45,761.80
Pension Plan Expense	18,390.83
Group Insurance	6,972.95
Depreciation	70,839.96
Amortization Kansas City Start-up Costs	10,871.65
Officers Life Insurance	11,946.75
Employee Welfare	372.39
	$1,705,261.82

The accompanying "Notes to Consolidated Financial Statements" are an integral part of this statement.

STANDARD AIRCRAFT EQUIPMENT CO., INC.
"NOTES TO CONSOLIDATED FINANCIAL STATEMENTS"
December 31, 1969

1. LONG-TERM LIABILITIES

The Corporation is indebted to Home Life Insurance Company on unsecured notes in the amount of $822,908.83, with interest at 6 3/4%. Monthly payments of $11,482.42 which includes interest and amortization, are due until maturity, July 1977. This loan agreement, which was entered into in August 1967 contains certain provision regarding the maintenance of working capital, additional borrowings, mergers and sale of assets, and other restrictions. The Corporation is not in default of any of the foregoing provisions.

The land, buildings, improvements at Farmingdale, New York, electronic data processing equipment, and the corporate aircraft are pledged to secure real and chattel mortgages aggregating $54,537.79 at December 31, 1969. Monthly payments, which include interest and amortization will be at the rate of $2,232.52 until April 1971, and at the rate of $1,565.28 from that date until May 1972.

2. CONTINGENCIES

The Corporation, under the terms of an agreement with its President, could be required to purchase from his estate certain shares of his stockholdings at a price which would be the higher of $4 per share or the fair market value at the date of death. The Corporation owns life insurance policies with an aggregate face value of $600,000 for this purpose.

3. LEASES

The Corporation is tenant at various locations under leases providing for annual rentals aggregating $99,398.40. These leases expire at various dates through 1979.

4. INCOME TAXES

The Internal Revenue Service has examined the Corporation's Federal income tax returns through the year 1967.

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FIRST GRANT CORPORATION

December 31, 1968

To the Holders of Common Stock, $0.50 Par Value,
of Standard Aircraft Equipment Company, Inc.

OFFER TO PURCHASE

First Grant Corporation ("First Grant") hereby offers to purchase at $16.00 per share (without deduction for transfer taxes) such shares of the Common Stock of Standard Aircraft Equipment Company, Inc. ("Standard") as may be tendered to it during the period ending at the close of business on January 30, 1969, subject to certain approvals by government agencies described below.

For your information, it should be noted that First Grant presently owns 112,349 shares of Standard's Common Stock and has already entered into an agreement with Mr. Louis J. Bollo, President of Standard, to purchase at the same price of $16.00 per share such of the shares of Common Stock of Standard as may be required to be added to those purchased under this offer to make First Grant the owner of 80% of the outstanding Common Stock of Standard. First Grant and Mr. Bollo have also agreed that Standard will enter into an employment contract with Mr. Bollo for a term of five years at a salary of $65,000 per year. First Grant will give Mr. Bollo an option to sell to it the remainder of his stock of Standard at a price increased in accordance with future increases in the earnings of Standard.

For your further information, there are enclosed herewith (i) a copy of Standard's 1967 Annual Report setting forth the audited results of Standard's operations for each of the calendar years 1967 and 1966 and (ii) a copy of an unaudited statement for the nine-month period ended September 30, 1968 (with a comparison to the similar period during 1967). The Common Stock of Standard is traded in the over-the-counter market and the following table sets forth the high and low bid prices of the Common Stock as reported by National Quotation Bureau Incorporated for the indicated periods. Prices for the years 1966 and 1967 have been adjusted for stock dividends of 10% on September 12, 1966 and 5% on October 30, 1967.

Year	High	Low
1966	4¾	2½
1967	12½	3⅛
1968		
First Quarter	11¾	10¼
Second Quarter	14½	11
Third Quarter	15	13¾
Fourth Quarter through December 16	16	15

On December 30, 1968 the high and low bid prices similarly reported were $15¼ and $15 per share, respectively. The foregoing figures reflect prices among dealers and do not include retail mark-ups, mark-downs or commissions, nor do they represent actual transactions.

If you wish to tender your shares, you should complete the attached letter of transmittal and mail or deliver it, together with your stock certificates, to Chemical Bank New York Trust Company ("Chemical Bank") in the self-addressed envelope enclosed for your convenience. However, First Grant will obtain approval or exemption by the Civil Aeronautics Board before committing itself to purchase any of the Common Stock of Standard in addition to its present holdings of 112,349 shares, and the obligation of First Grant to purchase any shares tendered is subject to the obtaining of such approval or exemption. Also, before any officers, including Mr. Bollo, directors or employees of Standard can sell any of their Standard Common Stock to First Grant, an exemption will have to be obtained by it from the Securities and Exchange Commission under the prohibitions against dealing with affiliates in the Investment Company Act of 1940 since First Grant is a subsidiary of Pittsburgh Coke & Chemical Company, a registered investment company. If you are not an officer, director or employee, your tender is not subject to Securities and Exchange Commission approval.

Payment for shares tendered by persons other than officers, directors or employees of Standard will be made by Chemical Bank promptly upon receipt by First Grant of the approval or exemption by the Civil Aeronautics Board, and in the case of tenders by officers, directors or employees, such payment will be made by Chemical Bank promptly upon receipt also of the approval or exemption of the Securities and Exchange Commission. If First Grant is prevented by rulings of the Civil Aeronautics Board or (if you are an officer, director or employee) of the Securities and Exchange Commission from consummating the purchase of your shares without penalty, your stock certificates will be returned to you by Chemical Bank immediately after First Grant receives notice of such ruling. If you have not received payment for your shares by March 1, 1969, you may, by letter to Chemical Bank, obtain the immediate return of your stock certificates. Until you have received payment for your shares, you will be entitled to dividends, if any, declared thereon and to exercise your voting rights.

This offer is not being made to, nor will First Grant accept tenders from, stockholders in any state where the making or acceptance thereof would not be in compliance with the laws of such state. In those states where securities laws require this offer to be made by a licensed dealer, this offer is made on behalf of First Grant by Clark Dodge & Co. Incorporated who is acting as Dealer Manager for First Grant in connection with this offer in those states where it is so licensed.

First Grant will pay to any member of the National Association of Securities Dealers, Inc. or any national securities exchange whose name appears in the appropriate space in the letter of transmittal a commission of 35¢ per share of Standard Common Stock tendered and purchased pursuant to this offer. Clark Dodge & Co. Incorporated is acting as dealer-manager in connection with this offer and will receive a fee for its services as such, as well as a fee in connection with the purchase by First Grant of Standard shares from Mr. Bollo.

Yours very truly,

FIRST GRANT CORPORATION

By PUTNAM B. McDOWELL
President

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TRANSMITTAL LETTER

To Accompany Common Stock of Standard Aircraft Equipment Company, Inc.

Chemical Bank New York Trust Company
Corporate Trust Department

Mailing Address:
Bank Window
Church Street P. O. Station
New York, N. Y. 10015

Hand Delivery Address:
Basement A
20 Pine Street
New York, N. Y. 10015

Dear Sirs:

The undersigned hereby accepts the offer ("Offer"), dated December 31, 1968, of First Grant Corporation ("First Grant") to purchase shares of Common Stock of Standard Aircraft Equipment Company, Inc. ("Standard") upon the terms set forth therein, and in accordance with the Offer and this Transmittal Letter deposits with you the following certificate(s) for shares of Common Stock of Standard:

Certificate Number	Number of Shares Tendered	Registered in the Name of

Note: If space is inadequate, certificate numbers and numbers of shares may be listed on a separate schedule affixed hereto.

The undersigned hereby sells, assigns and transfers all right, title and interest in the shares so tendered to First Grant and constitutes and appoints First Grant the true and lawful attorney of the undersigned to effect the transfer of said shares on the books of Standard. The undersigned hereby warrants that he has full authorization and power to sell all the shares tendered herewith and that the purchaser will acquire good title thereto, free and clear of all liens and encumbrances. All authority herein conferred shall survive the death or incapacity of the undersigned and all obligations of the undersigned hereunder shall be binding upon his heirs, personal representatives and assigns. The undersigned will, on request, execute any additional documents necessary or advisable to complete the sale and transfer of the tendered shares.

You are authorized and instructed to deliver the above described certificate(s) to First Grant upon your mailing to the undersigned the purchase price therefor of $16.00 per share net.

Please have the check for the purchase price, to the order of the undersigned, mailed to the address set forth following the name of the undersigned (or the person and address designated in "Special Payment Instructions" if such is completed).

If the shares represented by the enclosed certificates are not purchased by First Grant (by reason of lack of governmental clearance contemplated in the Offer), then the certificates should be returned to the undersigned at the address following the name of the undersigned (or to the person and address designated in "Special Payment Instructions", if such is completed).

SPECIAL PAYMENT INSTRUCTIONS

To be completed ONLY if proceeds are to be paid to other than the undersigned. Mail to:

Name ....
(Please Print)

Address ....

....
(Give Zip Code)

The undersigned represents that the securities broker or dealer who solicited and obtained this tender is:

USE THE FOLLOWING SPACE ONLY IF THIS TENDER WAS SOLICITED BY A QUALIFIED DEALER

Name ....
(Please Print)

Address ....

....
(Give Zip Code)

Dated: ...., 1969

....
(Signature(s) of owner(s))

(Must be signed by registered holder(s) or by person(s) authorized to become registered holder(s) by certificates and endorsements transmitted)

Name ....
(Please Print)

Address ....

....
(Give Zip Code)

Telephone No. ....
(Area Code)

IMPORTANT

PLEASE COMPLETE, SIGN AND TRANSMIT THIS TRANSMITTAL LETTER TO CHEMICAL BANK NEW YORK TRUST COMPANY IN ACCORDANCE WITH THE INSTRUCTIONS SET FORTH ON THE REVERSE SIDE OF THIS PAGE, SO THAT IT WILL BE RECEIVED NOT LATER THAN 5:00 P.M., NEW YORK TIME, JANUARY 30, 1969.

SIGNATURE GUARANTEE:

....

INSTRUCTIONS

Forming part of the terms and conditions of the Offer to Purchase.

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1. Fill in the information describing your Common Stock in the Letter of Transmittal ("Letter of Transmittal").

2. Indicate the name and/or address to which payment for your Common Stock or certificates for shares of Common Stock not purchased are to be sent if different from the name and/or address of the person(s) signing the Letter of Transmittal as shown at the foot thereof.

3. Sign and date the Letter of Transmittal. If signed by an Executor, Administrator, Trustee, Guardian, Attorney-in-fact, corporate officer or others acting in a fiduciary or representative capacity, enclose proper documentary evidence of the appointment and authority of such person so to act. The adequacy of such evidence must be established to the satisfaction of First Grant and the depositary. If a certificate is in the name of more than one holder, EACH person named in the certificate must sign. Signature(s) must correspond exactly to name(s) in certificate(s) or instruments of transfer and must be registered holder(s) or person(s) authorized to become registered holder(s). If any stockholder's shares are registered in different ways on different stock certificates, it will be necessary for him to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of his shares. **Each signature must be guaranteed by a member firm of the New York or American Stock Exchange, or any other national securities exchange, or a member firm of the National Association of Securities Dealers, Inc.**

4. Since the Letter of Transmittal authorizes the transfer to First Grant of the tendered shares, stock certificates should NOT be endorsed or accompanied by stock powers UNLESS payment for any shares is to be made, or stock certificates for any shares not purchased are to be registered, in a name other than that in which the tendered shares are registered. In such event the stock certificates must be properly endorsed or accompanied by a properly executed stock power.

5. Transfer tax stamps should not be affixed to the tendered certificates. If such taxes are payable, they will be paid by the Purchaser.

6. In mailing stock certificates and the Letter of Transmittal we recommend registered mail, since the risk of loss in transit is yours.

7. **If you have any questions as to how to accept the Offer to Purchase, SEE OR CONTACT YOUR BROKER IMMEDIATELY.**

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INDUSTRY COMPARISON

	Standard Aircraft	Southwest	Van Dusen
Price Range 1968	$15 - 16	$34 - 16 1/2	$23 3/8 - 15
Price 12/20/68	16	31 1/2	18
Latest 12 Mos. E.P.S. Thru 12/20/68	.68	1.01 f.d.	.96 f.d.
Book Value Per Share	5.33	4.98	6.11
Price/Latest 12 Mos.	23.5x	31.2x	18.8x
Price/Book	3.0x	6.3x	2.9x
Price Range 1969	$ -	$33 - 21 1/2	$18 1/4 - 12 1/4
Price 9/18/69	16	22 3/8	12 3/4
Latest 12 Mos. E.P.S. Thru 9/18/69	.43	.92 f.d.	.91 f.d.
Book Value	5.94	8.30	6.64
Price/Latest 12 Mos.	37.2x	24.3x	14.0x
Price/Book	2.7x	2/7x	1.9x

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APPENDIX B

Standard & Poor's
Daily Stock Price Index for 425 Industrials

		Index (1)			Running 12-Months Earnings (2)	Price/Earnings Ratio (3)
		High	Low	Close		
1960	January	65.02	59.43	59.43	3.53	16.74
	February	60.81	58.36	59.97	3.52	16.99
	March	59.83	57.00	59.02	3.52	16.72
	April	60.45	57.85	57.85	3.47	16.43
	May	59.53	57.59	59.50	3.42	16.90
	June	61.95	59.57	60.52	3.37	17.44
	July	61.00	57.40	58.96	3.38	17.24
	August	61.67	58.03	60.37	3.39	17.81
	September	60.51	55.52	56.70	3.39	16.78
	October	58.15	55.34	56.58	3.39	16.69
	November	59.71	57.22	58.87	3.39	17.37
	December	61.49	58.58	61.49	3.39	18.14
1961	January	65.61	60.87	65.38	3.33	19.29
	February	67.08	64.54	67.08	3.27	19.79
	March	68.78	67.06	68.78	3.22	20.65
	April	70.63	68.10	69.07	3.21	21.12
	May	71.25	68.90	70.46	3.20	21.88
	June	71.05	68.22	68.40	3.18	21.31
	July	70.65	68.00	70.65	3.19	22.08
	August	72.38	70.89	71.78	3.20	22.57
	September	72.27	69.17	70.25	3.21	22.02
	October	72.08	70.15	72.08	3.26	22.53
	November	75.60	72.20	75.08	3.31	23.39
	December	76.69	75.02	75.72	3.37	23.23
1962	January	75.22	71.68	72.77	3.43	21.98
	February	74.78	73.21	73.89	3.49	21.93
	March	75.10	73.36	73.36	3.55	21.39
	April	73.16	68.58	68.58	3.59	19.65
	May	70.13	58.57	62.69	3.63	17.66
	June	62.37	54.80	57.34	3.67	15.97
	July	61.03	58.48	61.03	3.69	16.81
	August	62.67	60.02	61.90	3.71	16.87
	September	61.90	58.22	58.80	3.73	15.93
	October	59.80	55.70	59.09	3.78	15.93
	November	65.44	59.78	65.26	3.83	17.50
	December	66.09	64.89	66.00	3.87	17.46

APPENDIX B (Continued)

		Index (1)			Running 12-Months Earnings (2)	Price/Earnings Ratio (3)
		High	Low	Close		
1963	January	69.24	65.48	69.21	3.88	18.07
	February	69.54	67.14	67.14	3.89	17.35
	March	69.83	66.99	69.71	3.91	17.97
	April	73.29	70.02	73.29	3.95	18.84
	May	74.35	72.89	74.35	3.99	19.02
	June	74.25	72.43	72.76	4.03	18.42
	July	73.74	71.16	72.48	4.07	18.17
	August	76.09	72.41	76.09	4.11	18.88
	September	77.22	75.47	75.47	4.16	18.54
	October	78.87	76.06	78.32	4.19	19.06
	November	78.11	73.30	77.43	4.22	18.61
	December	79.25	77.85	79.25	4.24	18.91
1964	January	81.58	79.74	81.58	4.30	19.33
	February	82.52	81.21	82.42	4.36	19.44
	March	84.33	82.63	83.87	4.42	19.50
	April	85.60	84.16	84.41	4.48	19.36
	May	86.36	85.21	85.37	4.54	19.31
	June	86.66	83.33	86.66	4.59	19.34
	July	89.05	87.30	88.01	4.64	19.39
	August	87.79	85.91	86.52	4.69	18.85
	September	89.23	86.92	89.12	4.75	19.21
	October	90.22	88.99	89.72	4.78	19.13
	November	91.29	89.23	89.23	4.81	18.79
	December	89.62	87.83	89.62	4.83	18.75
1965	January	92.57	89.06	92.57	4.88	19.25
	February	92.64	90.29	92.46	4.93	19.14
	March	92.37	90.83	90.98	4.97	18.64
	April	94.44	91.18	94.44	5.03	19.16
	May	95.79	93.16	93.82	5.09	18.88
	June	93.01	86.43	89.12	5.15	17.72
	July	90.95	88.76	90.28	5.20	17.74
	August	92.51	90.49	92.45	5.25	17.95
	September	96.36	92.43	95.61	5.29	18.39
	October	98.47	95.54	98.36	5.36	18.74
	November	98.55	97.47	97.47	5.43	18.43
	December	98.47	96.37	98.47	5.51	18.37

		Index (1)			Running 12-Months Earnings (2)	Price/Earnings Ratio (3)
		High	Low	Close		
1966	January	100.26	98.19	99.19	5.56	18.27
	February	100.60	97.18	97.62	5.61	17.72
	March	96.38	93.35	95.51	5.67	17.18
	April	99.09	96.31	97.59	5.71	17.40
	May	97.41	89.35	92.15	5.75	16.25
	June	93.31	90.72	90.72	5.79	15.89
	July	93.92	89.45	89.45	5.81	15.56
	August	89.95	79.77	82.65	5.83	14.27
	September	85.59	81.23	81.65	5.84	14.05
	October	85.25	77.89	85.15	5.86	14.61
	November	87.61	84.62	85.57	5.88	14.41
	December	88.46	85.18	85.24	5.89	14.55
1967	January	92.38	85.31	92.35	5.85	15.71
	February	94.38	92.21	92.77	5.81	15.75
	March	97.68	93.84	96.71	5.76	16.53
	April	101.16	94.39	101.16	5.72	17.41
	May	101.84	95.73	95.73	5.68	16.62
	June	99.95	95.06	97.71	5.63	17.08
	July	102.39	98.01	102.39	5.63	18.03
	August	103.60	100.02	101.16	5.62	17.97
	September	106.08	101.17	105.05	5.62	18.66
	October	106.15	102.44	102.44	5.63	18.23
	November	102.91	99.25	102.36	5.64	18.21
	December	105.11	102.95	105.11	5.66	18.67
1968	January	104.92	100.00	100.00	5.70	17.73
	February	100.31	96.40	96.81	5.74	17.10
	March	98.20	95.05	98.20	5.78	17.23
	April	106.73	100.82	106.73	5.83	18.59
	May	108.25	105.31	107.97	5.88	18.68
	June	111.28	108.31	108.31	5.93	18.58
	July	111.54	106.20	106.31	5.97	18.08
	August	107.78	105.07	107.65	6.00	18.15
	September	112.04	108.19	112.01	6.03	18.76
	October	114.70	112.18	112.86	6.07	18.81
	November	118.03	112.44	118.03	6.11	19.57
	December	117.79	112.98	113.02	6.15	18.62

APPENDIX B (CONTINUED)

		Index (1)			Running 12-Months	Price/Earnings
		High	Low	Close	Earnings (2)	Ratio (3)
1969	January	113.19	109.21	111.79	6.18	18.30
	February	112.66	106.36	106.64	6.21	17.34
	March	110.91	106.69	110.91	6.23	17.95
	April	113.50	109.08	113.50	6.24	18.28
	May	116.24	113.05	113.29	6.25	18.18
	June	112.70	105.44	107.06	6.25	17.16
	July	109.30	97.75	100.48	6.27	16.08
	August	105.46	101.59	105.01	6.29	16.80
	September	105.34	101.82	102.49	6.30	16.35
	October	107.85	101.85	106.86	6.26	16.99
	November	108.12	102.39	103.42	6.22	16.42
	December	102.76	98.58	101.49	6.17	16.21
1970	January	102.87	93.44	93.44	6.11	15.02
	February	98.01	94.21	94.21	6.05	15.27
	March	98.71	95.02	95.02	6.00	15.55
	April	98.55	87.75	87.75	5.96	14.50
	May	89.16	75.58	75.58	5.92	12.60
	June	86.08	79.89	79.89	5.88	13.40

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(1) Source: Standard & Poor's Trade and Securities Statistics (1972 Edition)

(2) Source: Standard & Poor's Trade and Securities Statistics (1972 Edition) for March, June, September and December. Data for other months interpolated.

(3) Price/Earnings Ratio is computed by dividing the Index for each month-end by the earnings figure for the second following month.

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CASH TENDER OFFERS

APPENDIX G

Target Company	Bidder	Effective Date of Bid	Shares of Target Company Outstanding (000)	Percentage of Shares Bid For	Tender Price	Level of Market Before Bid	Premium	Result
Edgewater Steel Co.	Pittsburgh Coke & Chemical Co.	2/16/68	371	36 %	47-1/2	43	11 %	Acquired 33%
Grosset & Dunlap, Inc.	National General	3/14/68	1200	100	41	31-1/2	30	Acquired 95%
Hanover Insurance	State Mutual Life Assurance Co.	6/13/68	1241	25	53	35-3/4	48	Acquired 25%
American Broadcasting Companies, Inc.	Hughes Tool	7/1/68	4[illegible]	42	74-1/4	58-1/2	27	Unsuccessful
California-Western States Life Ins.Co.	American General Insurance	8/12/68 11/4 Rev	5[illegible]	10 (1) 13	30	22-1/2	33	Acquired 13%
Cap-Roc Inc.	Duplan Corp.	10/4/68	487	100	31	21-1/4	46	Acquired 86%
Electronic Specialty Company	International Controls Corp.	8/19/68	1851	100	39	30	30	Acquired 55%
General Laboratory	Simmonds Precision Products Inc.	9/25/68	416	100	20	14	43	Merged
Jones Motor Co.	Alleghany Corp.	9/7/68	448	100	21	13-3/4	53	Acquired 98%
Jacobsen Manufacturing Co.	Sterling Precision Corp.	3/19/68	640	27	40	29-1/2	36	Unsuccessful
Jones & Laughlin Steel Corp.	Ling-Temco-Vought, Inc.	5/14/68	7940	63	85	48-1/8	77	Acquired 63%
National Central Life (Kansas)	Pennsylvania Life Insurance	6/13/68	850	100	30	23	30	Acquired 95%
Raybestos-Manhattan, Inc.	Seeburg Corp.	2/9/68	1152	54.7	80	61-1/2	30	Unsuccessful
Duffy-Mott Co. Inc.	American Tobacco	6/4/68	858	100	40	29	38	Acquired 77%

Target Company	Bidder	Effective Date of Bid	Shares of Target Company Outstanding (000)	Percentage of Shares Bid For	Tender Price	Level of Market Before Bid	Premium	Result
Roxbury Carpet Company	Carson Pirie Scott & Co.	3/12/68	515	16 (2)	9	8	13 %	Acquired 39%
United Insurance Co. of America	Teledyne	5/6/68	7500	28 (3)	35	27-1/8	29	Acquired 28%
Western Union Telegraph	University Computing Co.	5/6/68	7527	10	44	33-3/4	30	Unsuccessful
Tyler Pipe Industries	Saturn Industries	8/26/68	1071	100	40	30-1/2	31	Acquired
Western Airlines	Kirk Kekorian	12/9/68	4893	31	45	36-3/4	22	Acquired 26%
Wyatt Industries	U.S. Industries	1/26/68	424	100	54	41	32	Acquired 63%
Miehle-Goss-Dexter, Inc.	North American Rockwell Corp.	11/19/68	5748	30	31	24	29	Merged 9/69
Monumental Life Ins. Co.	Fidelity Corp.	11/15/68	2805	45 Rev. 100	47 50	32-3/4	44 53 }	Acquired less than
Pan American Sulphur Co.	Susquehanna Corp.	11/26/68	4751	38	40	32-1/4	24	Acquired 60%
Ryan Aeronautical Co.	Teledyne	11/16/68	2501	100	50	38-3/4	29	Acquired 56%
Superior Coach Corp.	Sheller-Globe Corp.	7/12/68	1376	36	26	17-1/8	52	Merged 11/68
API Instruments	Technology Inc.	6/2/69	523	19	20	14	43	Withdrawn
Amerada Petroleum	Hess Oil & Chemical Corp.	3/19/69	12805	8 (4)	125	101	24	Acquired 8%
Bayly Manufacturing Co.	J.C. Wood	6/5/69	373	40	20	14-1/2	38	Acquired 40%
C. Brewer & Co. Ltd	International Utilities	1/10/69	2196	29.6 (5)	50	38-1/4	31	Acquired 29.9%

Target Company	Bidder	Effective Date of Bid	Shares of Target Company Outstanding (000)	Percentage of Shares Bid For	Tender Price	Level of Market Before Bid	Premium	Result
Massachusetts Indemnity & Life	Pennsylvania Life Co.	1/6/69	500	100 %	66	44	50%	Acquired 98%
Simplex Wire & Cable	Harbill Associates	2/10/69	750	63	25-1/2	23	11	Acquired 60%
Southdown, Inc.	Zapata Norness Inc.	2/28/69	1337	51.0	52	38-1/2	35	Acquired 51%
UMC Industries	Liquidonics Industries, Inc.	2/5/69	5144	22.5 (6)	30	23	30	Acquired 32.6%

(1) American General Insurance owned 20% prior to bid.

(2) Carson Pirie owned 39% prior to bid.

(3) Teledyne owned 23% prior to bid.

(4) Hess owned 10% prior to bid.

(5) International Utilities owned 26.6% prior to bid.

(6) Liquidonics owned 18.3% prior to bid.

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CONTESTED TENDER OFFERS

APPENDIX H

Target Company	Bidder	Effective Date of Bid		Shares of Target Company Outstanding (000)	Percentage of Shares Bid For		Tender Price	Level of Market Before Bid	Premium	Result
Glens Falls Ins. Co.	U.S.Fidelity & Guaranty	5/29/68		1,400	100%		52-1/2	30	75%	Acquired 21%; 6/21/68 sold 9% to Continental Ins.
	Continental Insurance	6/3/68			100		60		100	Acquired 96% common
C.G. Conn Ltd.	Kernel Co.	10/10/68		826	41.5	(1)	21	16	31	
		10/18	Rev		41.5		25		56	Unsuccessful
	Crowell Collier & Macmillan	*10/14/68			100		25-3/8 (2)		59	
		10/22	Rev		100		30-1/2 (3)		91	Merged 5/69
		#10/17			42		24		50	
		10/18	Rev		42		30		88	Acquired 42% common
Harley Davidson Motor Co.	Bangor Punta Corp.	*10/4/68		714	100		25-7/8 (4)	19-1/2	33	
		12/3	Rev		100		49-1/2 (5)		153	Unsuccessful
		#11/12			21		40		105	
		11/14	Rev		21		42-1/2		118	
		11/21	Rev		100		42-1/2		118	
	American Machine & Foundry	10/31/68			100		30-1/4 (6)		55	
		11/21			93	(7)	41-1/8 (8)		111	Merged 1/69
Commercial Credit	Loews Theatres Inc.	6/13/68		10,538	90	(9)	42-3/8 (10)	33-1/8	28	Unsuccessful
	Control Data Corp.	6/13/68			100		60-7/8 (11)		84	
		6/29	Rev				71-1/8 (12)		115	Merger approved 8/68
Home Insurance	Northwest Industries Inc.	5/27/68		8,600	90	(13)	45-1/4 (14)	30-3/8	49	
		6/24	Rev		90		49-3/8 (15)		62	Withdrawn 7/68
	City Investing Co.	8/27			90		54-3/8 (16)		79	Acquired 94% common
Great American Holding	AMK Corporation	9/20/68		6,230	100		66-7/8 (17)	32-3/8	106	
		9/30	Rev		100		75 (18)		132	Unsuccessful
	Natl. General Corp.	7/16/68			93	(19)	68-1/4 (20)		111	
		9/26	Rev		93		77 (21)		138	Acquired 93% common

Target Company	Bidder	Effective Date of Bid	Shares of Target Company Outstanding (000)	Percentage of Shares Bid For	Tender Price	Level of Market Before Bid	Premium	Result
Arrowhead & Puritas Waters	Allegheny Beverage Corp.	10/14/68	674	47% (22)	50	38	32%	Acquired 33%, later sold to Coca-Cola all holdings.
	Coca-Cola Bottling Co. L.A.	10/21/68		100	48-1/4 (23)		27	
		11/5 Rev		100	56-3/4 (24)		49	Merger approved 3/69
Westinghouse Air Brake Co.	Crane Company	4/5/68	2,532	74 (25)	47-3/4 (26)	36	33	Acquired only 17% common
	American Standard Inc.	3/7/68		100	42-3/8 (27)		18	Merged 6/68
Sinclair Oil Corp.	Gulf & Western Industries	12/4/68	12,500	95 (28)	136-3/4 (29)	80	71	Acquired only 0.2% common
	Atlantic Richfield Company	*11/2/68		100	128-3/4 (30)		61	
		#12/12		20	145		81	Merger approved 12/68

Target Company	Bidder	Effective Date of Bid	Shares of Target Company Outstanding (000)	Percentage of Shares Bid For	Tender Price	Level of Market Before Bid	Premium	Result
United Fruit Company	Zapata Norness	1/9/69	8060 Com	100%	91-7/8 (31)	50-1/2	82%	Unsuccessful
		1/22	213 Pfd	100	127-3/4 (32)	66	94	Unsuccessful
	AMK Corporation	12/14/68	8060 Com	91 (33)	88-1/2 (34)		75	
			213 Pfd	100	134-1/4 (35)		103	
		1/24/69 Rev	8060 Com	100	88-3/4 (36)		76	Acquired 83% Com and 74% Pfd
Armour & Company	Greyhound Corp.	1/28/69	6095	41 (37)	65	49-3/8	32	
		1/31 Rev		41	70		42	
		2/10 Rev		41	72		46	Acquired 25% Com
	General Host Corp.	1/20/69		84 (38)	66-7/8 (39)		35	Acquired 43.5% Com
U.S. Pipe & Foundry Company	Automatic Sprinkler Corp.	9/26/68	3700	79 (40)	30-1/2 (41)	25	22	Acquired only 2%
	Jim Walter Corp.	11/4/68		100	38-1/2 (42)		54	Merged 5/69

* Stock

** Cash alternative

(1) Kernal Co. owned 10% prior to bid.

(2) Estimated value of exchange package consisting of .4 share Crowell common (value 37-3/4) and .2 share new Crowell $2.50 convertible preferred (value 51-3/8) for 1 share C.G. Conn common.

(3) Estimated value of exchange package consisting of .5 share Crowell common (value 39-1/2) and .2 share new Crowell $2.50 convertible preferred (value 53-3/4 for 1 share C.G. Conn common.

(4) Estimated value of exchange package consisting of $20 p.a. 7-1/4% debs (value 72-1/2), 1/2 warrant (value 14-1/4) and .1 share Bangor common (value [illegible]) for 1 share Harley common.

(5) Estimated value of .9 share $2 conv. preferred (value 55) for 1 share Harley common.

(6) Estimated value of 1.22 shares AMF common (value 24-5/8) for 1 share Harley common.

(7) AMF purchased [illegible] common prior to revised bid.

(8) Estimated value of 1.5 shares AMF common (value 27-3/8) for 1 share Harley common.

(9) Loews owned 10% prior to bid.

(10) Estimated value of $45 p.a. 5-1/2's 1993 conv. debs (value 94-1/8) for 1 share Commercial Credit common.

(11) Estimated value of 1/3 share CDA common (value 166) and .1 warrant (value 55-3/8) per share Commercial Credit common.

(12) Estimated value of .45 share CDA common (value 147-1/4) and .1 warrant (value 49) per share Commercial Credit common.

(13) Northwest owned 10% prior to bid.

(14) Estimated value of exchange package consisting of $40 p.a. 7% debs (value 70) and .1 share Northwest common (value 172) for 1 share Conn Insurance common.

(15) Estimated value of exchange package consisting of $40 p.a. 7% debs (value 70) and .1 share Northwest common (value 160) and .1 warrant (value [illegible]) for 1 share [illegible] common.

(16) Estimated value of exchange package consisting of 1 share $2 conv. pfd. (value 36-5/8) and .4 share City common (value 44-1/4)

(17) Estimated value of exchange package consisting of $30 p.a. 6-3/4's 1988 debs (value 87-3/8), 1/2 share AMK common (value 48-3/4) and 1 warrant (value [illegible]) for 1 share Great American common.

(18) Estimated value of exchange package consisting of $30 p.a. 6-3/4's 1988 debs. (value 87-3/8), 5/8 share AMK common (value 50-7/8) and 1 warrant (value [illegible]) for 1 share Great American common.

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(19) National General owned 7% prior to bid.

(20) Estimated value of exchange package consisting of $50 p.a. 4's 1993 conv.debs.(value 101-7/8) and 1 warrant (value 17-3/8)

(21) Estimated value of exchange package consisting of $50 p.a. 4's 1993 conv.debs(value 101-7/8) and 1-1/2 warrants (value 17-3/8)

(22) Allegheny owned 10% prior to bid.

(23) Estimated value of share $2 conv. pfd. Coca Cola per share Arrowhead.

(24) Estimated value of share $2 conv. pfd. Coca Cola per share Arrowhead.

(25) Crane owned 26% prior to bid.

(26) Estimated value of exchange package consisting of $25 p.a. 7's 1993 (value 85) and $25 p.a. 5's 1993 conv. debs. (value 105-1/2) per share Westinghouse com.

(27) Estimated value of 1/2 share $4.75 conv. pfd. per share Westinghouse common.

(28) Gulf & Western owned 5% common prior to bid.

(29) Estimated value of exchange package consisting of $100 p.a. 5-1/2's 1993 conv. debs (value 104) and 1-3/4 warrants (value 18-3/4) for 1 share Sinclair common.

(30) Estimated value of exchange package consisting of .6 share Atlantic common (value 102-1/2) and 1 share new $2.80 conv. pfd. (value 67-1/4) for 1 share Sinclair common.

(31) Estimated value of 1 share $2 conv. pfd. for 1 share United common.

(32) Estimated value of 1.4 shares $2 conv. pfd. (value 91-1/4) for 1 share United pfd.

(33) AMK owned 9% prior to bid.

(34) Estimated value of exchange package consisting of $30 p.a. 5-1/4's 1994 conv.debs(value 92), .55 shares AMK common (value 58) and 1-1/2 warrants (value 19-3/8) for 1 share United common.

(35) Estimated value of exchange package consisting of $53.20 p.a. 5-1/4's 1994 conv.debs(value 92), .77 shares AMK common (value 58) and 2.1 warrants (value 19-3/8) for 1 share United preferred.

(36) Estimated value of exchange package consisting of $38 p.a. 5-1/4's 1994 conv.debs(value 92), .55 shares AMK common (value 51-1/4) and 1-1/2 warrants (value 17-1/8) for 1 share United common.

(37) Greyhound owned 8% prior to bid.

(38) General Host owned 16% prior to bid.

(39) Estimated value of exchange package consisting of $60 p.a. 7's 1994 (value 60) and 2-1/2 warrants (value 12-3/8) for 1 share Armour common.

(40) Automatic Sprinkler owned 21% prior to bid.

(41) Estimated value of package consisting of $25 p.a. 6's 1988 (value 60), 1/4 share common (value 26-3/4) and 1 warrant (value 8-7/8) for 1 share U.S.Pipe common

(42) Estimated value of 1 share $1.60 conv. pfd. per share U.S. Pipe.

DX-RR

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF NEW YORK

- -x

PITTSBURGH COKE & CHEMICAL COMPANY, :

Plaintiff, : Civil Action No. 71C305 (ERN)

-against- :

STIPULATION

LOUIS J. BOLLO, :

Defendant. :

- -x

IT IS HEREBY STIPULATED AND AGREED by and between the undersigned attorneys as follows:

1. The attached five pages of Defendant's Exhibit O for identification shall be received in evidence.

1970 Study

2. In late 1970, Price Waterhouse and Standard examined the inventory records of Standard as of September 25, 1970. Based on this examination, Standard wrote off a quantity of inventory. The inventory written off included (a) items for which there had been no sales in the prior two years; (b) "excess" stock; and (c) items considered unsalable because of the Bendix cancellation.

3. Each item with an extended value* of $50 or more was tested. If there had been no sale of such an item

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* "Extended value" of an item is the product of the quantity of the item in inventory times the cost of the item; thus, if there are 12 generators in stock and each generator's cost to Standard was $100, the extended value of that item is $1200.

since September 25, 1968, it was written off. Using this two-year rule, $444,247* in items with extended value over $50 were written off. Of this amount, $181,262 was attributable to items with extended value of more than $500, and $262,985* to items with extended value of $50-$499.

4. As for the over 42,000 items with extended value of less than $50, a statistical sampling was taken to determine how much of the value of those items should be written off by use of the two-year rule. The amount determined was apart from and in addition to the $444,247 for the over-$50 items.

1971 Study

5. In 1971, Price Waterhouse was asked to determine how much of the inventory which was not written off until 1970 would have been written off in each of the years 1961-70 had a two-year rule been used in each of those years.

6. Price Waterhouse divided the inventory written off in 1970 into strata according to the extended value of the items. All $181,262 of items (see ¶ 3) with extended value of $500 or more were tested to determine the year in which each of them would have been written off. For items with extended value of $50-$499, a statistical sample of the $262,985* of items (see ¶ 3) not written off until 1970 was tested** to approximate the distribution of all such items over the years 1961-70.

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* These totals included several items with extended value less than $50 from the branches.

** The several items with extended value of less than $50 from the branches which are included in this figure were deleted for the 1971 testing of items with extended value of in excess of $50.

7. For items with extended value of less than $50, a statistical sample of all inventory items with extended value under $50 was tested to approximate the distribution of write-offs over the years 1961-70. The total of the approximate write-offs for these items for the years 1961-70 was $178,469.

8. All items tested with extended value of less than $500 were selected by use of a random number table and a Price Waterhouse random number generator computer program.

9. The figures contained in Plaintiff's Exhibit 29 represent Price Waterhouse's conclusion from the 1971 Study as to the most probable value of inventory becoming deadstock under application of the two-year rule during each of the years 1961-69.

10. The figure 607,104 appearing on Table 4 at the bottom of page 2 of Defendant's Exhibit O under the heading "Field Obsolete" represents Price Waterhouse's conclusion as to the value of inventory that had become deadstock by September 25, 1970 under application of the two-year rule. The figure is the sum of the $181,262 of items with extended value over $500, plus the $178,469 approximation (see ¶ 7) of items with extended value under $50, plus an approximation of the items with extended value of $50-$499. Since it is based in part on statistical sampling, it is an approximation and not necessarily the value which would have been obtained if all items had been tested (the "absolute value"). Statistical sampling does not produce a value that has absolute certainty. It can be used to produce an approximation, the "most probable" value. A statement of the probability that the absolute value would be

within a specified range (the "confidence limits" of the approximation) can also be obtained. Defendant s Exhibit O does not contain any confidence limits for the $607,104 figure.

11. The figures contained in Plaintiff's Exhibit 29 are derived from Table 4 of page 2 of Defendant's Exhibit O.

12. Since each yearly figure is based, in part, on projections from statistical sampling, it is not necessarily identical to the figure which would have been obtained had all items been tested, but should be considered as an approximation.

13. The words "95% Confidence Limits on Totals" appearing at the bottom of page 2 of Defendant's Exhibit O, mean that there is a 95% probability that, for a given year, the absolute value would be between the upper and lower limits.

14. These confidence limits are used to illustrate the degree of reliability of the by-year distribution. They do not relate to the reliability or accuracy of the total amount of inventory write-offs allocated to the 1961-70 period. No confidence limits for the total amount of inventory write-offs for the 1961-70 period appear in the attached pages, nor do confidence limits for cumulative totals up to any given year.

15. Attorneys for defendant were provided with all the work papers of Price Waterhouse & Co. used in the 1971 study. These included photostatic copies of the records of all inventory items tested, sheets summarizing the sales history of those items, and a description of the methodology used in the 1971 study.

First Grant's Tender Offer

16. First Grant Corporation's tender offer to the stockholders of Standard (other than Louis J. Bollo) was made on December 31, 1968 and, as extended, the offer remained open until February 13, 1969.

17. This stipulation shall be marked Defendant's Exhibit RR for identification and shall be received in evidence.

Dated: New York, New York
November 22, 1974

PAUL, WEISS, RIFKIND, WHARTON & GARRISON

By ______________________________

Attorneys for Defendant
345 Park Avenue
New York, New York 10022
644-8000

CAHILL GORDON & REINDEL

By James J. Foster

Attorneys for Plaintiff
80 Pine Street
New York, New York 10005
944-7400

SO ORDERED:

____
Edward R. Neaher
United States District Judge

EXHIBIT(1)

1278

STANDARD AIRCRAFT EQUIPMENT CO., INC.

ANALYSIS OF INVENTORY TO DETERMINE AMOUNT OF DEADSTOCK INVENTORY UNDER THE "TWO-YEAR RULE"

Following is a summary of the total inventory items in the field and the inventory items selected:

Items with Inventory Value of	Total Number of Inventory Items in the Field	Total Number of Inventory Items Selected
More than $500	181	181
$200 - $499	423	133
$100 - $199	691	74
$50 - $99	962	53
Less than $50	42,237	383

As can be seen in the preceding table, Price Waterhouse selected all inventory items with extended values in excess of $500. The other items were selected by use of a random number table and a Price Waterhouse random number generator computer program.

T. PC

For items over 50 in extended value, the field represents only those items included in the company's inventory writeoff tabulations for obsolete inventory.

For items under 50, the field represents total of all inventory items with extended values under 50

A clear distinction must be [illegible] [illegible] reviewers are items over 50 and only estimates.

```
RUN STD
STD          09:46   08/09/71  MONDAY      104

           S T A N D A R D   A I R C R A F T   E Q U I P M E N T   C O M P A N Y
                     OBSOLETE INVENTORY STATISTICAL SAMPLING ANALYSIS

       ( NOTE:  FOR PURPOSES OF THIS ANALYSIS, 'GOOD' INVENTORY REFERS TO THAT WHICH IS NOT   )
       (        OBSOLETE IN ACCORDANCE WITH THE APPLICATION OF THE SO CALLED 'TWO-YEAR RULE.' )

TABLE 1

                                                                                  SAMPLE   SAMPLE  SAMPLE SAMPLE   FIELD FIELD
STRATUM 1961  1962  1963  1964  1965  1966  1967  1968  1969  1970 OBSOLETE   GOOD   TOTAL   SIZE   TOTAL  SIZE

   1       0  1431  2208  9312 10505  5353 16429 25755 34271 75998  181262   57126  238388   181  238388   181
   2       0   587   577   252   846  1473  4884  5702  7292 10879   32492    6747   39239   133  129668   423
   3       0   406   222   584   908   525   963  1321  2256  1562    8747    1457   10204    74   96241   691
   4       0     0     0     0   204   407   501   758   831   510    3211     593    3804    53   68121   962
   5       0     2     3    47     0     0    14    73    57    73     269     300     569    43   43853  3752
   6       0     0     0     0     0     1     0     0     0     0       1       9      10     3    3813   273
   7       0     0     0     0     0     0     0     0     0     0       0       0       0     0     767    55
   8       2     1     0     0    15    47    47   161   125   102     500     580    1080    90  124927 10859
   9       1     0    32    47     0    80   107    58    47   119     491     213     704    52   61228  4310
  10       0     0     0     0     0     0    14     4     0    33      51      70     121    20   22560  2624
  11       0     0     0     0     0     2     1     9    16     0      28     239     267    39   32201  5532
  12       0     0     0     0     0     0     0     0     0     8       8     655     663    30   51901  2765
  13       0     0     0     0     0     0     0     0    36    52      88     158     246    22   30384  2464
  14       0     0     0     0     0    46    38    11    16    64     175     366     541    34   39022  3645
  15       0     0     0     0     0     0     0     0     8   108     116     222     338    17   25485  1744
  16       0     1     0     0     0     9    40    46     4     2     102     222     324    33   35151  4214

TOTALS:    3  2428  3042 10242 12478  7943 23038 33898 44959 89510  227541   68957  296498   824 1003710 44494

TABLE 2

                                                                                  SAMPLE
STRATUM  1961    1962    1963    1964    1965    1966    1967    1968    1969    1970  OBSOLETE

   1   0.0000   .0079   .0122   .0514   .0580   .0295   .0906   .1421   .1891   .4193  1.0000
   2   0.0000   .0181   .0178   .0078   .0260   .0453   .1503   .1755   .2244   .3348  1.0000
   3   0.0000   .0464   .0254   .0668   .1038   .0600   .1101   .1510   .2579   .1786  1.0000
   4   0.0000  0.0000  0.0000  0.0000   .0635   .1268   .1560   .2361   .2588   .1588  1.0000
   5   0.0000   .0074   .0112   .1747  0.0000  0.0000   .0520   .2714   .2119   .2714  1.0000
   6   0.0000  0.0000  0.0000  0.0000  0.0000  1.0000  0.0000  0.0000  0.0000  0.0000  1.0000
   7   0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  1.0000
   8    .0040   .0020  0.0000  0.0000   .0300   .0940   .0940   .3220   .2500   .2040  1.0000
   9    .0020  0.0000   .0652   .0957  0.0000   .1629   .2179   .1181   .0957   .2424  1.0000
  10   0.0000  0.0000  0.0000  0.0000  0.0000  0.0000   .2745   .0784  0.0000   .6471  1.0000
  11   0.0000  0.0000  0.0000  0.0000  0.0000   .0714   .0357   .3214   .5714  0.0000  1.0000
  12   0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  1.0000  1.0000
  13   0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000   .4091   .5909  1.0000
  14   0.0000  0.0000  0.0000  0.0000  0.0000   .2629   .2171   .0629   .0914   .3657  1.0000
  15   0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000   .0690   .9310  1.0000
  16   0.0000   .0098  0.0000  0.0000  0.0000   .0882   .3922   .4510   .0392   .0196  1.0000

TABLE 3

                                                                                  SAMPLE   SAMPLE  SAMPLE
STRATUM  1961    1962    1963    1964    1965    1966    1967    1968    1969    1970  OBSOLETE   GOOD   TOTAL

   1   0.0000   .0060   .0093   .0391   .0441   .0225   .0689   .1080   .1438   .3188   .7604   .2396  1.0000
   2   0.0000   .0150   .0147   .0064   .0216   .0375   .1245   .1453   .1858   .2772   .8281   .1719  1.0000
   3   0.0000   .0398   .0218   .0572   .0890   .0515   .0944   .1295   .2211   .1531   .8572   .1428  1.0000
   4   0.0000  0.0000  0.0000  0.0000   .0536   .1070   .1317   .1993   .2185   .1341   .8441   .1559  1.0000
   5   0.0000   .0035   .0053   .0826  0.0000  0.0000   .0246   .1283   .1002   .1283   .4728   .5272  1.0000
   6   0.0000  0.0000  0.0000  0.0000  0.0000   .1000  0.0000  0.0000  0.0000  0.0000   .1000   .9000  1.0000
   7   0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  1.0000  1.0000
   8    .0019   .0009  0.0000  0.0000   .0139   .0435   .0435   .1491   .1157   .0944   .4630   .5370  1.0000
   9    .0014  0.0000   .0455   .0668  0.0000   .1136   .1520   .0824   .0668   .1690   .6974   .3026  1.0000
  10   0.0000  0.0000  0.0000  0.0000  0.0000  0.0000   .1157   .0331  0.0000   .2727   .4215   .5785  1.0000
  11   0.0000  0.0000  0.0000  0.0000  0.0000   .0075   .0037   .0337   .0599  0.0000   .1049   .8951  1.0000
  12   0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000   .0121   .0121   .9879  1.0000
  13   0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000   .1463   .2114   .3577   .6423  1.0000
  14   0.0000  0.0000  0.0000  0.0000  0.0000   .0850   .0702   .0203   .0296   .1183   .3235   .6765  1.0000
  15   0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000  0.0000   .0237   .3195   .3432   .6568  1.0000
  16   0.0000   .0031  0.0000  0.0000  0.0000   .0278   .1235   .1420   .0123   .0062   .3148   .6852  1.0000

TABLE 4

                             I N V E N T O R Y      W R I T E O F F

                                                                                       FIELD    FIELD    FIELD
                  STRATUM 1961   1962   1963   1964   1965   1966   1967   1968   1969   1970 OBSOLETE    GOOD    TOTAL

                     1       0   1431   2208   9312  10505   5353  16429  25755  34271  75998  181262   57126   238388
                     2       0   1940   1907    833   2796   4868  16140  18843  24097  35950  107372   22296   129668
                     3       0   3829   2094   5508   8564   4952   9083  12459  21278  14732   82499   13742    96241
                     4       0      0      0      0   3653   7288   8972  13574  14881   9133   57502   10615    68121
                     5       0    154    231   3622      0      0   1079   5626   4393   5626   20732   23121    43853
                     6       0      0      0      0      0    381      0      0      0      0     381    3432     3813
                     7       0      0      0      0      0      0      0      0      0      0       0     767      767
                     8     231    116      0      0   1735   5437   5437  18623  14459  11799   57837   67090   124927
                     9      87      0   2783   4088      0   6958   9306   5084   4088  10350   42703   18525    61228
                    10       0      0      0      0      0      0   2610    746      0   6153    9509   13051    22560
                    11       0      0      0      0      0    241    121   1085   1930      0    3377   28824    32201
                    12       0      0      0      0      0      0      0      0      0    626     626   51275    51901
                    13       0      0      0      0      0      0      0      0   4446   6423   10869   19515    30384
                    14       0      0      0      0      0   3318   2741    793   1154   4616   12623   26399    39022
                    15       0      0      0      0      0      0      0      0    603   3143    8746   16739    25485
                    16       0    108      0      0      0    976   4350   4991    434    217   11066   24085    35151
    95 %
 CONFIDENCE (   UPPER:    5185  16110  18309  35986  40634  55258  96249 130363 150258 217750
   LIMITS   (              318   7578   9223  23363  27253  39772  76258 107539 126034 189766  607104  396606  1003710
     ON     (   LOWER:      19   3548   4624  15098  18194  28435  60143  88306 105233 164624
   TOTALS

TIME       8 SECS.
```

1280

To determine the year an item is obsolete the following guidelines are followed:

① Determine the [illegible] the last sale [illegible]

② The year the item is considered obsolete is the year determined in ① above plus two years.

③ If [illegible] no sales activity in the period tested, determine the year(s) of purchase. In some cases an item was purchased in two or more different years. In this case, the writeoff amount at 11/25/70 is allocated to these years in proportion to the total number of items purchased.

④ The year(s) the item is considered obsolete is the year(s) in ③ above plus two years.

	[illegible] Cost C	[illegible]	[illegible]
[illegible] 1950 [illegible]			
1. [illegible]	310233 -	24099 -	8[illegible]
2. [illegible]	172[illegible]3 -	44[illegible] -	871 -
	[illegible] -	28525 -	[illegible] -
[illegible] West [illegible] - [illegible]			
1. [illegible]	88951 -	-	10[illegible] -
2. [illegible]	8663 -	-	-
	97614 -	-	10[illegible] -
Total	580210 -	28525 -	9376 -
Total [illegible] Stock [illegible]	399184 -	24099 -	8505 -
Total [illegible] [illegible]	181026 -	4426 -	871 -
Total	580210 -	28525 -	9376

Note: [illegible] 1950 [illegible] ([illegible] quantities (x) [illegible]) [illegible] the 8% [illegible] allowance [illegible] parts [illegible] These [illegible] 1950 [illegible]

AA11

1282 Note on [illegible] of [illegible] Inventories [illegible]

The items [illegible] [illegible] for both Garden City and the [illegible] for listing of purchase and sale activity were [illegible] from the 9/25 [illegible] Inventory Tab Runs.

The following [illegible] were [illegible] in [illegible] items [illegible]:

① Determine if an item is current (not obsolete) or obsolete.

(a) An item is current if it has sales activity in the period 9/25/69 to 9/25/70. Items with no sales activity in the periods tested are current if [illegible] material [illegible] activity is in the period 9/25/68 to 9/25/70.

(b) An item is obsolete if there is no sale or purchase activity in the period 9/25/69 to 9/25/70.

② Items considered obsolete as described in (b) above are analyzed to determine the [illegible] of obsolescence as described on AA22.

2937 -	13[illegible] -	43337 -	6502 -	23771 -		444247 -
1846 -	3275 -	17505 -	5430 -	5129 -		211290 -
10783 -	16434 -	66842 -	11932 -	[illegible] -		655537 -
1256 -	666 -	6014 -	-	2005 -		99084 -
7 -	172 -	2224 -	1304 -	-		17452 -
1263 -	[illegible] -	9792 -	1304 -	2005 -	AA3	116536 -
12016 -	17194 -	76[illegible] -	13[illegible] -	31265 -	AA3	772073 -
10163 -	13695 -	55347 -	6502 -	25836 -		543331 -
1153 -	3499 -	21299 -	13329 -	5429 -		228742 -
12016 -	17194 -	76646 -	16141 -	31265 -	AA3	772073 -

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